

GROWING SOCIAL VENTURES

The role of intermediaries and investors:
who they are, what they do, and what
they could become

Cynthia Shanmugalingam, Jack Graham, Simon Tucker and Geoff Mulgan

ABOUT NESTA

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ABOUT THIS RESEARCH

NESTA commissioned this research report from the Young Foundation in August 2010 to map 'social venture intermediaries' (SVIs) in order to improve the understanding of the role and approaches used by establishing:

1. A typology of current SVIs and their key features.
2. Case study examples of successful SVIs.
3. An analysis on the need for and potential of SVIs, where gaps in the 'landscape' of SVIs exist in relation to this need/potential, and suggestions for future development of SVIs.
4. Analysis and reflections on how the role of the state needs to change to ensure stronger support and markets for social ventures.
5. Recommendations for key stakeholders, including NESTA and government.

We are grateful to the Young Foundation for their report and recommendations.

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A list of interviewees and research sources can be found in Appendix C of this report, and we would like to thank all those we spoke to. In particular, we would like to thank the following people who provided substantial feedback, comment and help throughout the report:

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EXECUTIVE SUMMARY

Britain's history is full of examples of forward-thinking co-ops, charities, mutuals as well as profitable businesses that have pioneered innovative ways to tackle social needs

From the rich activity of socially oriented businesses and charities in the 19th century, to forerunners of the ethical business movement like the Body Shop, and an estimated £24 billion social enterprise industry,¹ the UK has a diverse ecology of entrepreneurial activity aimed at meeting social goals.

With strong government support and interest in the field, and growing interest from London's financial services sector, the UK has come to be seen as a global leader in the emerging fields of social enterprise, social finance and social entrepreneurship. Over the past 15 years, at least £350 million² of public money has gone into funds for social entrepreneurship, charity capacity building and other support for social ventures, alongside significant philanthropic funding and some private investment – although accurate aggregate figures remain elusive. Tax incentives have also been introduced, as well as legal reforms to encourage investment.

A new industry is steadily taking shape. This industry has many names: social investment, social finance, and the social economy. It fuses together two relative strengths of the UK – skill in finance and skill in civic action, organisation and delivery.

This report is the first comprehensive survey of the state of the institutions that support a dynamic and emerging sector of social ventures

Carried out with the active involvement of most of the major players, it portrays a dynamic and diverse set of well over a hundred organisations helping to grow social enterprises, charities and other ventures. These 'social venture intermediaries' take many forms: social venture funds; incubators; providers of technical assistance; service designers;

impact monitoring agencies; specialist recruitment consultancies; skills and training organisations and providers of networks; together forming an infrastructure that serves organisations with a social, rather than purely profitable, focus. Some have backgrounds in investment, some in design, some in the voluntary sector, and some in public services.

We see good reasons for expecting the scale of this activity to grow substantially, aided by five factors:

- Interest from the broader investment sector in developing new tools and markets, including new savings products.
- Public policies that are encouraging spin-outs from the public sector, a growing emphasis on commissioning and market making, and in some cases support for social enterprise funds.
- Interest from philanthropists and foundations in using their assets more effectively to achieve social impact, through various forms of programme and mission-related investment.
- Rising awareness that some of the key growth sectors of the economy in the next decade will be ones in which social enterprises and non-profits play critical roles, including health, social care, education and environmental industries.
- Engagement from Europe, where an EU Business Panel on Future Innovation Policy recommended in 2009 "to base EU action around compelling social challenges, to finance venture and social innovation funds", recommendations which have now been taken up in the European Union's Innovation Union strategy.

To consolidate the UK's strong position and grow the sector, this report calls for a sophisticated approach to the design of the Big Society Bank and the wider government role in relation to this

field, addressing the key gaps in the market, and in particular helping to remove barriers to the growth of a stronger pipeline of effective innovations and models.

New forms of finance need to be supplemented with focused attention on innovation, skills, business models and shaping the markets for social ventures, in particular through public commissioning. The report calls for more concerted investment into potentially high-impact innovations, with financial models that share both risks and rewards. It calls on the sector to develop more in-depth knowledge of key growth fields, such as care and the environment. It argues for a deliberate strategy on the part of government to support innovation to develop new models – for example tendering for social venture intermediaries in fields such as support for children in care or reducing hospital readmissions. And it calls for government to support a range of types of Social Impact Bond³ and other investment vehicles in fields such as criminal justice, health,

and employment. A key role needs to be played by departments such as the Department of Work and Pensions, Ministry of Justice and the Department of Health to incentivise social ventures that can create value and save long-term public spending by cutting unemployment levels, recidivism or hospital readmissions.

The report also calls on the major banks to engage more seriously. Despite positive rhetoric, UK banks are doing significantly less in this field than equivalents in some other countries such as Spain (e.g. Bilbao Bizkaia Kutxa) and Italy (e.g. Banca Prossima and Banca Etica) and risk missing out on the growth of a sector in which they could be major players.⁴ It also points to the critical role that financial regulators – in particular the Bank of England – could play in encouraging the banks and others to include a strand of social investment as part of prudent portfolio management. Current investment policies mean that the social sector is substantially under-represented.

We define social ventures as organisations that:

- **Tackle social problems** like obesity, educational disadvantage, poverty or health. The best make a significant social impact not just in breadth – that is reaching a significant number of people – but also in depth, effecting a significant improvement in the quality of life of people who have significant needs.
- **Are financially sustainable** thanks to revenues which come from paying customers, from governments, from charitable sources or from individual supporters (like Ebbsfleet United, a football club bought by 26,000 supporters, each paying £35 in 2008). We include ventures that distribute their profits or reinvest them. The best social ventures use business models that make the most of scarce public and philanthropic money, either through using a mix of grants, donations and income from paying customers, or from using considerable pro-bono, in-kind and volunteer support.
- **Aim to scale what works**, through the growth of an organisation or through helping others to replicate their ideas and adapt them to their surroundings. Our previous research has pointed to a range of different methods for doing so – from organisational growth, through franchising and federations, to licensing and looser diffusion.⁶ Some of these involve *scaling up* – the metaphor taken from manufacturing. Others are better understood as more organic, ‘graft and grow’ or *scaling out*, with ideas adapting as they spread, rather than growing in a single form.

We define social venture intermediaries as specialist organisations that combine:

- A commitment to **social** goals.
- A focus on **ventures** (rather than projects or programmes).
- An **intermediation** role, aggregating and matching finance, skills, physical collaboration space, evidence, technologies and networks.

In the medium to long term we expect this field to grow substantially. In the short term however, many organisations are vulnerable to reductions in income from the public sector: 13 per cent of charities and 39 per cent of social enterprises get over half their income from government, and for some the proportion is over 90 per cent.⁵ Navigating this difficult period with an intelligent mix of policies, regulations, financing support and other kinds of support could not only increase the capacity of social ventures in the UK, it could also reinforce the UK's position at the forefront of a growing global industry.

In writing this report, we have considered many kinds of social venture. We included social ventures of any legal status (charities, community interest companies, industrial and provident societies, companies or otherwise) or business model, which have as a primary purpose the meeting of social needs – community enterprises, co-operatives, for-profit, non-profit, and many more dimensions. We have aimed to look across them as a whole.

To better understand the needs of social ventures, and the roles that intermediaries already play (and could play in the future) to meet these needs, we have conducted over 40 interviews, researched over 30 intermediaries, surveyed 11 social ventures with experience of working with intermediaries and interviewed a further seven. We have identified hundreds of organisations in the UK dedicated to helping social ventures to grow, improve or become more resilient. The research also builds upon the Young Foundation's accumulated experience of operating in this field for many years.

Currently, over 30 per cent of social enterprises are less than five years old and across them median turnover is just £175,000.⁷ Many in the field believe that there is a need for social ventures to increase their impact, sustainability and ability to demonstrate results, and for a much greater number of medium to large social ventures to emerge to balance the number of micro- and small enterprises.

Examples of social venture intermediaries

School Home Support is a charity whose school-based teams help children and their families deal with challenges at home so that they can get the most out of school. Cutting truancy and exclusion rates, School Home Support is able to lessen the risk that young people become 'NEETs'. Through working with the **Private Equity Foundation** that helped them to develop strategic capacity, management information and systems in finance, commissioning, impact measurement and HR, School Home Support has seen a 75 per cent increase in revenue and is aiming to double the number of children it supports over five years.

The Green Valleys project has installed numerous water turbines in villages across the Brecon Beacons in order to improve the energy efficiency of homes in the area. Their aim is to make the region a net exporter of sustainable energy. As one of the winners of **NESTA's Big Green Challenge**, they won £20,000 and 20 days business support from **UnLtd** to develop a business plan. UnLtd supported them to design a sustainable business model and choose an appropriate legal form. Green Valleys set up as a Community Interest Company and went on to be one of four organisations that won a share of the challenge's £1 million prize. During the Big Green Challenge year Green Valleys reduced CO₂ emissions in the area by 20-23 per cent and, armed with a new business strategy, now has a viable plan to implement 40 new hydro schemes in the region.

Working Rite is a social enterprise that has turned classroom-based employability training on its head by placing NEET young people directly into the workplace with self-employed tradesmen for a six month old-fashioned apprenticeship-style experience. Working Rite approached the **Young Foundation's** Learning Launchpad in summer 2009, with a strong track record in social impact, wanting to improve its sustainability and the speed at which it was able to reach young people. The Young Foundation's investment and support helped Working Rite to expand its senior management team, recruit a new board and more than double its revenue and staff team. It is now looking to work with over 200 young people over the next year.

Currently, intermediaries in the UK play a vital role for many social ventures

Those ventures we surveyed who had been supported by a social venture intermediary saw a 132 per cent increase in their numbers of beneficiaries; a 149 per cent increase in their revenues; three-quarters of them rated the support they had received from intermediaries as ‘good’ or ‘excellent’ for business advice, financial investment, service design, market insight and personal development; and around half reported that the intermediary they worked with had helped them raise additional investment.

Finance is a key function. Given typically low margins in the social sector, growth through re-invested surpluses takes a long time – patient investment, and investment that combines commercial and social goals, is bound to have an important role to play. However research on social ventures confirms that they need a range of different resources.

Particularly, at earlier stages of development, finance is not always the most important. Equally vital are access to skills, advice in shaping business models, and networks and relationships. We found:

- Sophisticated and intensive types of support are on offer, which helps to bridge skills gaps among social ventures and their teams particularly around business and strategy skills. Intensive hand-holding typified many social venture intermediaries: nearly 90 per cent of intermediaries we looked at offer support in the form of one-to-one advice and guidance, and around a third spend more than five days per month on each venture they work with.
- Though ventures receive good support in their start-up phase, and when relatively mature, there is a lack of adequate support in the critical transitional ‘growth’ phase.
- Too few intermediaries understand social impact well enough. When asked about their own skills, intermediaries rated themselves least strongly on their understanding of social issues – and rated social ventures most strongly on their understanding of social issues.

Finance plays a critical role for social ventures, who face many barriers to accessing capital in the commercial sector

Appropriate finance is difficult to find for ventures that have legal forms that don’t allow equity, that sell to the public sector and deal with lumpy payment profiles, and that have low profit margins compared to commercial ventures. However we found:

- Finance is probably the most well-served area of provision for social ventures, and has been the primary focus over the past decade or more – at least £350 million of public money has gone into social entrepreneurship funds.
- Social finance remains relatively small, with £192 million social investment compared with around £55 billion of small business lending or £13.1 billion of individual giving.
- Pumping more finance into the sector is unlikely in itself to realise growth in the sector, without careful thought on how it is structured. A decade ago it was widely expected that greater supply of capital would increase demand from strong ventures. Instead, despite the relative growth of social finance, many social investors struggle to find investible ventures. The finance intermediaries we surveyed reported that only 16 per cent of the social ventures that approached them were successful in receiving investment. Though there is no published evidence on how many deals are made: several investors cited relatively few investments and Triodos’ Social Enterprise fund closed in July 2010 after making just one deal. The problem seems not to be one of poor supply of capital but a lack of demand from viable ventures ready to receive such investment.
- There are too few finance opportunities for ambitious start-ups. Our map of social finance suggests that most social venture investment deals are restricted to very small amounts. Two-thirds of the social venture-oriented finance deals available last year were micro-grants of £5,000 or less. There are far fewer opportunities to get £50,000-£250,000, which an early-stage venture might need to establish its impact.

Access to customers remains a critical gap holding back social ventures

A handful of intermediaries help ventures to sell to public sector commissioners, saving vital time and cost. We found:

- Most social ventures are small, with social enterprise median turnover at just £175,000. Most are serving clients who are poor, and cannot pay much in fees, or are in fields where it would not be appropriate to charge. Many are providing services for which governments already have a budget. But many social ventures struggle to effectively engage with public sector commissions, who still tend to prefer already-commissioned providers and public sector providers, although the Government's market liberalisation measures are changing this. Intermediaries who are helping social ventures supply to government play a vital role – but are relatively rare.
- Increasingly, online directories and 'crowd-matching' platforms are emerging to enable customers to buy the services of social ventures, and this may be a key growth area.

The sector faces an urgent need for better, common metrics that are comparable across organisations

Without effective accountability and transparency, social ventures face hurdles to receiving funding, and to delivering impact.

We found:

- There are several encouraging developments towards a comparable set of data on which to measure social returns, with funders and others adopting common goals, such as the Global Impact Investing Network's work on IRIS.
- As yet there are no commonly adopted tools for gauging social returns, or the impact of social ventures within the UK, though there are promising developments.⁸
- Some tools will have to be adapted to the needs of particular sectors. However, many generic intermediaries lack deep knowledge of specific social problems – such as tackling educational disadvantage, improving health outcomes etc. As is the case in commercial investment fields, lack of deep knowledge can impede investment in innovation, and lead to a bias towards relatively lower risk and lower impact ventures.

We also found that using intermediaries is not without risks. Intermediaries can, without accountability, competition and transparency, siphon off funds that would otherwise go to frontline organisations. This is likely to be a key issue for some new financing devices; if a high proportion

of funds is absorbed by intermediaries this risks undermining public confidence, as happened with some PFIs. Though the ventures we researched had positive feedback for intermediaries, there is evidence to suggest that the market for intermediaries themselves needs to become more competitive and more accountable. For example, the top ten providers of social finance were responsible for 96 per cent of social investments made last year.

We recommend to government, and other investors in intermediaries, that the design of the Big Society Bank is carefully thought through, with an allocation of resources that is aimed at plugging clear finance gaps – significant early-stage finance, including:

- Investment in very early-stage but potentially high-impact innovations to ensure a pipeline for later-stage investors, using stage-gate investment models. This will need to include grants or an acceptance that it will be unlikely to generate a net positive financial return in and of itself.
- Enabling intermediaries to provide capital, rather than revenue financing, alongside an effective mix of finance, skills, networks and other kinds of support.
- (And aligned to that) setting specific social challenges for the sector to aim to tackle, mobilising capacity from a range of sources to address issues such as drugs treatment, recidivism or reducing hospital readmissions.

We recommend to intermediaries that they should collaborate to provide easy access to guidance on what each provides, to assist entrepreneurs and innovators. Common online websites and guidance would save a great deal of wasted time. We then recommend that they focus on the highest quality entrepreneurs and ideas, backing ambitious start-ups generously with risk-capital of £50,000-£150,000 in addition to the broad availability of micro-grants of less than £5,000 that currently exist. There was a broad consensus amongst our interviewees that many of the current generation of social entrepreneurs are lacking in basic business skills. Intermediaries need now to focus on training the next generation of social entrepreneurs – bright, talented and ambitious young people who can learn to develop a basic business proposition and a clear understanding of a social need.

Finally, we propose that intermediaries should commit to common goals, specifically to:

1. Put social ventures first – provide services on the basis of their genuine needs and leave ventures better off and more sustainable as organisations.
2. Champion common impact measurement – particularly within key impact areas such as health, reoffending, youth unemployment, etc.
3. Commit to transparency – commit to publishing finance and data on the value added by intermediaries.
4. Work together – respect reasonable financial agreements with other SVIs.
5. Buy from social ventures – procure more from social ventures and encourage ventures to buy from each other.

CONTENTS

Introduction	11
Part 1: The state of the UK's intermediaries	18
Part 2: Where next for intermediaries?	48
Appendix A: Typology	56
Appendix B: Case Studies	68
Appendix C: Research sources	72
Bibliography	74
Endnotes	75

INTRODUCTION

What are social ventures?

Britain's history is full of examples of forward-thinking co-ops, charities, mutuals as well as profitable businesses that have pioneered innovative ways to tackle social needs

From the rich activity of the 19th century - when British social innovators created the Peabody estate (pioneering social housing), the Ragged Schools Union (pioneering universal education) and Moorfields Eye Hospital (pioneering eyecare) - through to forerunners of the ethical business movement like the Body Shop, mass voluntary sector service provision through housing associations and an estimated £24 billion social enterprise industry,⁹ the UK has a rich and vibrant field of enduring organisations meeting social goals.

With strong government support and interest in the field, and growing interest from London's financial services sector, the UK has come to be seen as a global leader in the emerging fields of social enterprise, social finance and social entrepreneurship. Over the past 15 years, at least £350 million¹⁰ of public money has gone into funds for social entrepreneurship, charity capacity building and other support for social ventures, alongside significant philanthropic funding and some private investment - although accurate aggregate figures remain elusive. Tax incentives have also been introduced, as well as legal reforms to encourage investment.

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We see good reasons for expecting the scale of this activity to grow substantially, aided by five factors:

- Interest from the broader investment sector in developing new tools and markets, including new savings products.
- Public policies that are encouraging spin-outs from the public sector, a growing emphasis on commissioning and market making, and in some cases support for social enterprise funds.
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- Rising awareness that some of the key growth sectors of the economy in the next decade will be ones in which social enterprises and non-profits play critical roles, including health, social care, education and environmental industries.
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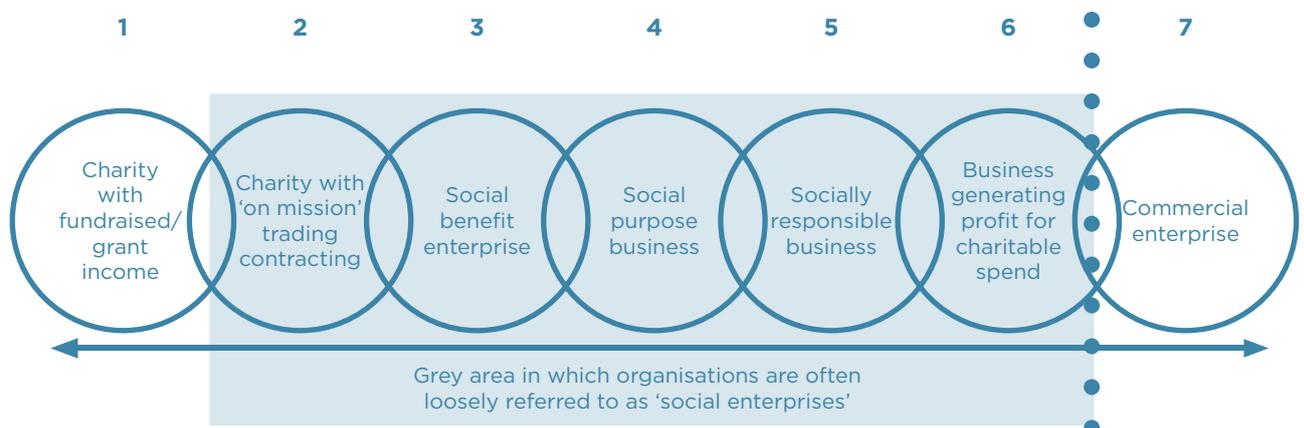
There are many kinds of social venture – each with differing needs

By our definition, a social venture may be of any legal status (such as a charity, a company limited by shares, an industrial provident society or more), any business model, any scale and any profit distribution model, as long as it has as a primary purpose the meeting of social needs. These can include any of the models shown below

(from Venturesome’s analysis).¹²

Relatively few analyses have looked across social businesses, social enterprises, charities and others. We have consulted a range of different organisations directly, and have also drawn on a range of secondary sources of data that comes from analyses of the voluntary and charitable sector, the social enterprise sector and others to

Figure 1: Social ventures can take on a range of organisational forms



Box 1: The many types of social venture

Different types of social ventures require different types of support in order to meet the three tests we outlined above. We refer to these different needs throughout the report.

Charities are organisations with a regulated charitable status that defines their social purpose and blocks them from distributing profits. Charities can take on a number of social venture business models, although many rely on grant income as the traditional vehicle for creating social and/or environmental benefit. This often gives rise to the challenge of not making a significant margin on the sale of their services.

Community enterprises are mission-driven organisations that offer services to a specific community of interest or geography. Along with delivering valuable services, these organisations aim to build community cohesion and social capital. To fulfil our social venture definition, they must aim to ‘scale out’ their model through dissemination of the principles of their service or business model – intermediaries can play a key role in facilitating this process.

Cooperatives and Mutuels are organisational forms united by democratic ownership. A cooperative is a business owned and operated by a group of individuals – such as employees, volunteers or consumers – for their mutual benefit. Members of a mutual do not contribute to the capital of the company by direct investment, but derive their right to profits and votes through their consumer relationship. Cooperatives and mutuels need specific support in order to find appropriate financing instruments for their needs.

Credit Unions are cooperative financial institutions that, among other financial services, provide credit at reasonable rates to their members. Members who have accounts in the union own the union with one vote irrespective of the amount of money invested. Credit unions aim to tackle social and financial exclusion. While some credit unions are micro-businesses, many are large institutions and can be considered social ventures.

Development Trusts are community-owned organisations that aim to economically, environmentally and socially regenerate local communities through enterprise. There are over 500 development trusts in the UK. The development trust approach is based on the belief that community regeneration is best achieved when enterprise is community-owned. Development trusts share many of their needs with community enterprises.

Muhammad Yunus defines **social businesses** as non-loss, non-dividend companies designed to address a social objective. He suggests that only organisations that compete with profit-maximising enterprises are social businesses and proposes two types: one where a service is sold to the poor or disadvantaged (see *Bottom of the Pyramid* approaches); and another where the poor own the business.

The Cabinet Office’s definition of a **social enterprise** is “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.”¹³ Many other definitions explicitly stipulate that social enterprises generate revenues through trading, and the recent Social Enterprise Mark¹⁴ also includes an ability to demonstrate social impact and protection of assets for social purposes as requisite features of a social enterprise.

Social Firms are businesses created to employ people who have a disability or are otherwise disadvantaged in the labour market. In Britain, there are 99 social firms working with 1,064 severely disadvantaged people including ex-offenders, the homeless and ex-substance abusers.¹⁵ Social Firms’ social impact is limited by the scale of the market opportunity they exploit (most commonly in catering, recycling and horticulture). Therefore, Social Firms need to operate in large markets and aspire to operate at a reasonable scale if they are to be considered social ventures. They require much the same support as commercial enterprises in the same industries.

assess the field of social ventures as a whole. We have looked across these different kinds of social venture because, despite their differences, they share common goals and many common needs – and we believe that growing the sector will require a coherent approach.

Over 30 per cent of social enterprises are less than five years old and, across them, median turnover is just £175,000. Only one in ten social enterprises describe themselves as currently operating at a national scale. Though no accurate market sizing exists, one survey in 2005 estimated there are 62,000 social enterprises,¹⁶ and there are many more entrepreneurial charities, socially-driven businesses and others that form the field. A report in 2007 found that 56 per cent of charities (95,000 organisations) have an income below £10,000 and account for just 1 per cent of sector revenue.¹⁷ While many believe that certain types of social ventures should always be small-scale initiatives, or that we shouldn't expect large organisations to arise from such a young sector, it is clear that the market conditions are not yet right for a new generation of innovative and scalable ventures to emerge and reach their potential.

A strong majority of those we surveyed agreed that too few social ventures had reached their optimal scale, although just 17 per cent believed the solution to be more finance alone. A further 19 per cent of those we surveyed thought the primary reason for failing to scale was that social ventures themselves were lacking quality.

In Figure 3 we look at the growth trajectories of several social enterprises that have experienced diverse growth patterns – one that launched at scale (Teach First) with corporate backing, another that took much longer (HCT) and moved from a charitable to a more trading model. These and other examples confirm the diversity of paths that social ventures take to realise impact, sustainability and growth.

As Figure 4 shows, social ventures take time to grow, and are almost certainly likely to grow more slowly than commercial firms. There are many reasons for this. Most ventures operate in sectors with fewer economies of scale to reap (often with a preponderance in relatively labour-intensive sectors such as health and care). Often there are cultural, organisational and accountability factors

Figure 2: There is clear agreement on a need for larger-scale ventures – and 19 per cent believe that a lack of quality is the primary cause

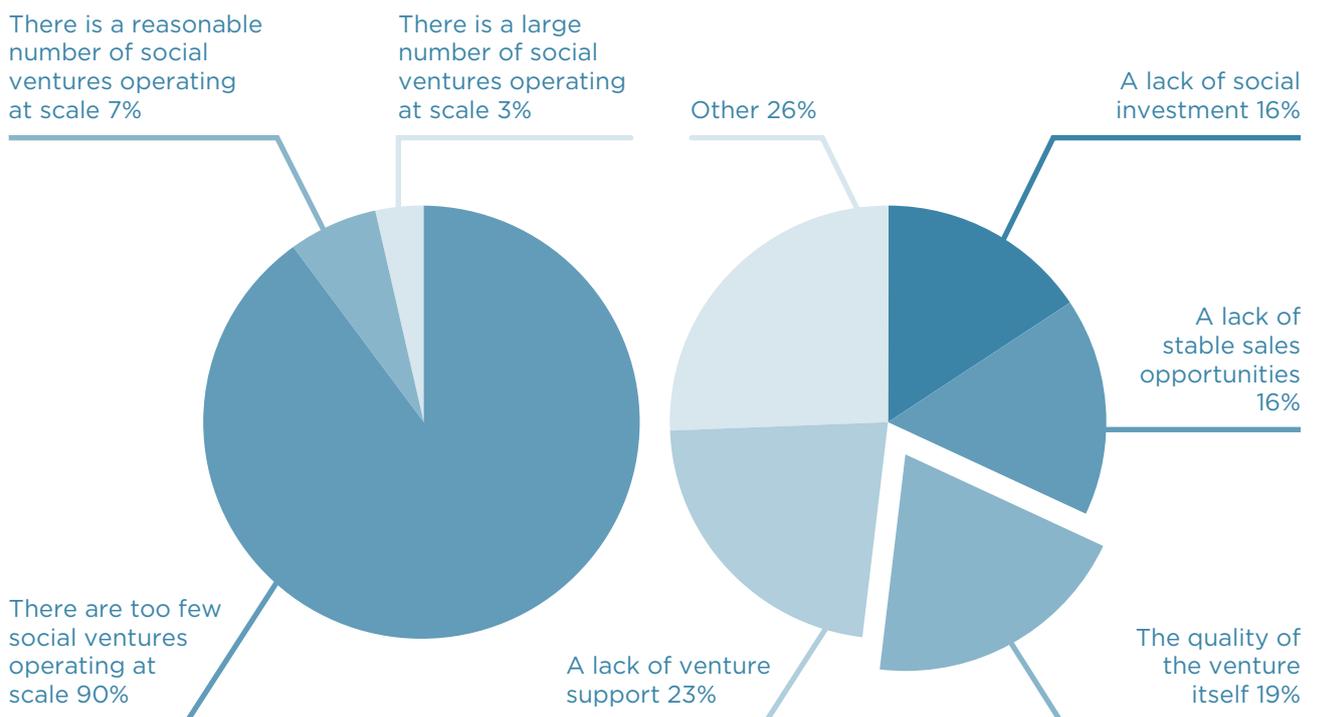
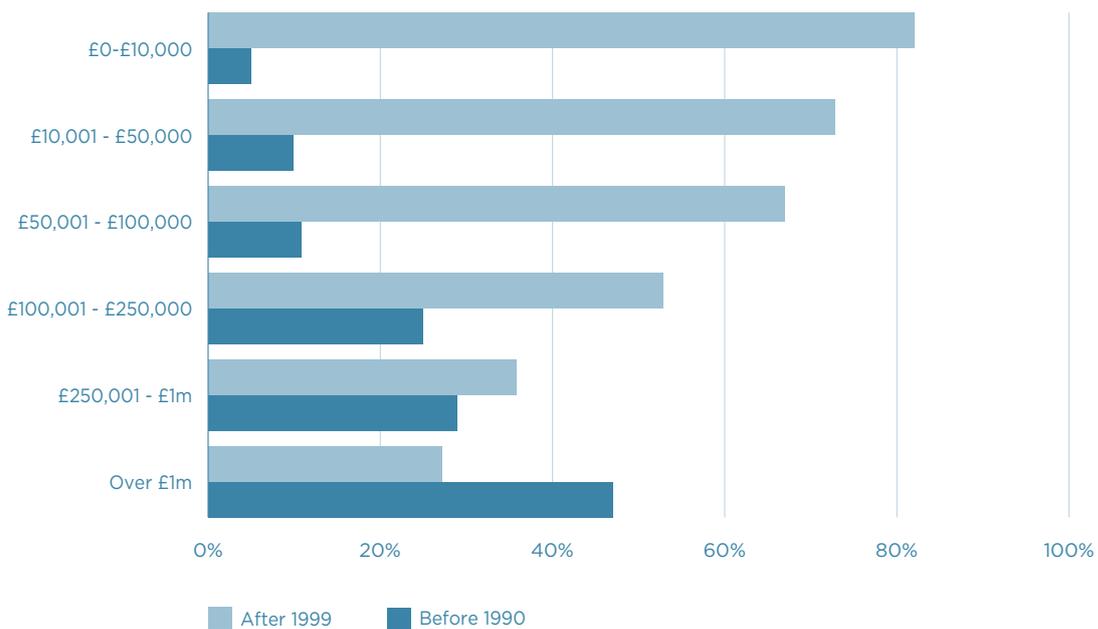


Figure 3: There are many routes to scale



Source: Charity Commission; Ventures' annual reports

Figure 4: Growth of social ventures takes time - half of social ventures with £1 million+ turnovers were founded before 1990



Source: The State of Social Enterprise; Social Enterprise Commission (2009)

impeding rapid organisational growth. Meanwhile the nature of markets, particularly public sector purchasing and commissioning, can make it hard even for the most effective organisations to grow.

Social ventures exist in part to meet social needs, but also to innovate

Ninety per cent of specialist intermediaries we interviewed agree that the primary benefit of social ventures is to innovate to solve social problems. As we show later on, innovation often requires particular forms of finance, whereas much of the finance that has come into the sector so far has been tailored to growing already proven models rather than innovating new ones.

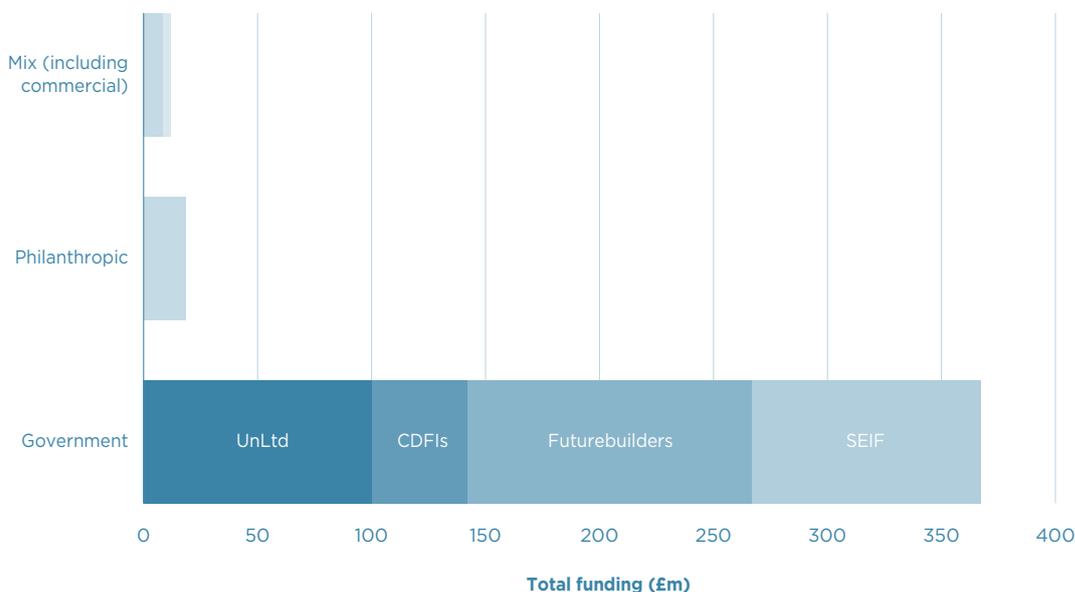
A decade ago there were strong hopes that substantial commercial investment would come into the sector, encouraged by a new generation of high profile social entrepreneurs, by new tax incentives and by the reported interest of many in financial organisations in finding new ways to achieve social goals. Although the field has grown, the overall picture has not developed as many expected. As the diagram below shows the great majority of funding has come from the public sector, and not from commercial investment. Moreover, the public sector has created more new bespoke funds than the private sector, in marked contrast to other countries where private financial

institutions have set up subsidiaries specifically focused on social investment.

One factor was a perception that the sector offered too few opportunities for commercial returns compared to others. However, events in the last two years have altered perceptions, and shown not only that social ventures may be more resilient than others, but also that the profile of risks and returns in the sector may be as attractive as other fields. Social enterprises in the UK reported in 2009 that in a tough economic climate, 60 per cent of them were making a profit, and a further 16 per cent were breaking even. Although many are vulnerable to impending cuts in public spending (13 per cent of charities and 39 per cent of social enterprises get over half their income from government, and for some this figure rises to more than 90 per cent¹⁸) it's clear that investment in social ventures should form part of the balanced portfolio of any substantial financial institution.

As a result the time may now be right for more concerted action to bring together finance from commercial investors, foundations and the public sector, and to build up intermediaries with the capacity to combine finance from all of these sources.

Figure 5: Over the past ten years, the vast majority of funding going into the sector has been through government grants



Source: Social Investment Task Force, 10 years on, Social Investment Task Force (2010)

About this report: methodology

This paper was written on the basis of a review of literature relating to social ventures and the organisations that support them, and primary research. We built on the Young Foundation's insight into the processes of social innovation and social venturing, outlined in publications such as *In and Out of Sync: The challenge of growing social innovations*, *Open Book of Social Innovation*, and *Social Venturing* (part of the Social Innovators series).

Primary research included interviews with the Chief Executives of prominent social venture intermediaries and social entrepreneurs, two surveys of staff in intermediary organisations (one on their perspectives of the field and a second on the activities of their organisations), a survey of social ventures that had experienced some support from a social venture intermediary, and two focus groups – one of existing social entrepreneurs and another of business students with an interest in social entrepreneurship and social venturing.

We also interviewed and researched intermediaries and ventures in other countries where these case studies represented models or processes that are not currently found in the UK social venturing field.

Through the survey of social venture intermediary activities and desk-based research, we were able to gather data on the provision of social venture-oriented finance. There are many gaps in the data and we found that the majority of intermediaries did not publish their data publicly – many refused to divulge such data.

We were not able to create a comparable picture of the value added by social venture intermediaries or the impact generated by individual ventures that were supported by intermediaries. While some intermediaries publish their ventures' impact data publicly, there are too many gaps and too little consistency of reporting to be able to draw any comparisons between intermediaries.

PART 1:

THE STATE OF THE UK'S INTERMEDIARIES

We have identified hundreds of organisations in the UK dedicated to helping social ventures to grow, improve or become more resilient

Many specialist social venture intermediaries (SVIs) first emerged in the 1990s as interest grew in social enterprise and venturing. They included: new sources of finance (such as Futurebuilders, Impetus, Venturesome); new providers of skills (such as the School for Social Entrepreneurs); new orchestrators of networks (such as CAN and Ashoka); providers of buildings (such as the Hub, CAN Mezzanine); and advocates (such as the Social Enterprise Coalition). The main missing strand, to date, in the social venture intermediary field has been technology.

Intermediaries exist in this field, as in others, because of economies of scale and scope in the provision of specialist services. Individual ventures are likely to lack a wide range of skills, networks and points of access, and usually it is not efficient for them to create these internally.

Over the last decade a variety of new models have also developed, some with a greater focus on innovation (including the Young Foundation and Social Innovation Camp) and design (such as Participle and Think Public), and the provision of more sophisticated combinations of finance, skills and networks. Some variables by which they differ include:

- **Legal forms and ownership models:** some (like Impetus Trust) are focused on charities, some (like Bridges Ventures) on social enterprise models, some (like Cooperatives UK) on cooperative models and some (like the DTA) on community-owned enterprises.
- **Attitudes to innovation:** some focus on scaling models with an established evidence base; others (like Participle) on more radical innovations.
- **Different profit motives:** some (like CAF Venturesome's Development Fund) focus on non-profit, non-dividend models, others (like Big Issue Invest) on a mix of social and financial return that is more open to for-profit and for-dividend models.
- **Geographic focus:** some (like Yorkshire Key Fund) are focused on a specific geography and some (like Ashoka) on nationally and internationally scalable ventures.
- **Attitudes to individuals:** some (like School of Social Entrepreneurs) on the development of individuals and others (like Private Equity Foundation) focus on the whole organisation's development.
- **Different sectors:** some (like The Young Foundation's Health Launchpad) are focused on specific areas of social need such as health and education and others (like UnLtd) work

We define social venture intermediaries as specialist organisations that combine:

- A commitment to **social** goals.
- A focus on **ventures** (rather than projects or programmes).
- An **intermediation** role, aggregating and matching finance, skills, physical collaboration space, evidence, technologies and networks.

across sectors.

- **Specific niches:** some are focused on public-sector delivery (such as Social Investment Business) or are focused on the solution rather than the problem (such as Social Innovation Camp which focuses on the power of technology to solve social problems).

We have identified and looked at over 100 organisations that fit our broad definition of an SVI in the UK, as well as some international examples. These vary greatly in terms of their scale, the primary resources they provide, and their underlying assumptions.

Social venture intermediaries play an increasingly vital role for the emerging sector of social ventures

Through our survey, ventures that had worked with intermediary organisations reported the following benefits:

- A 132 per cent increase in their numbers of beneficiaries (from an average of 1,251 to 2,901).
- A 149 per cent increase in their revenues (from £338,618 to £844,850).
- Three-quarters of them rated the support they had received from intermediaries as 'good' or 'excellent' for business advice, financial investment, service design, market insight and personal development.
- Around half reported that the intermediary they worked with had helped them raise additional investment.

Different social ventures said of their experiences of working with intermediaries:

"It has been amazing. I am sure we would have grown but our SVI has helped, and continues to help, accelerate that growth, helping us reach more children and young people and thereby fulfil our vision."

"In the last six months they have been particularly brilliant in introducing us to investors and in qualifying them. The latter is great because so many investors and funding agencies talk about funding, but do very little, which wastes management time."

"Where they did really help us was with 'credibility', enthusiasm and endorsement for our fledgling idea – and they have a good

brand."

"It has been both a huge privilege to receive the money and a significant burden. The lack of practical support available from them to help us manage the many challenges involved in creating and establishing a viable social enterprise has, in hindsight, been a significant weakness."

Around the world, supporting ventures through intermediaries is now being seen as a method of solving intractable social problems. An example of this approach is President Obama's Social Innovation Fund, that, although small scale, is trying to help scale some effective non-profit interventions in the US through working with established intermediaries.¹⁹

But using intermediaries is not without risks

As an emerging industry, its accountability, competition and transparency standards are yet to be commonly agreed, and without them the industry is vulnerable to accusations that it takes away revenues that ought to go to ventures themselves.

"To be honest, there are low barriers to entry to becoming an SVI at this point. To avoid allegations of being middlemen, we need to go a lot further to demonstrate our value add."

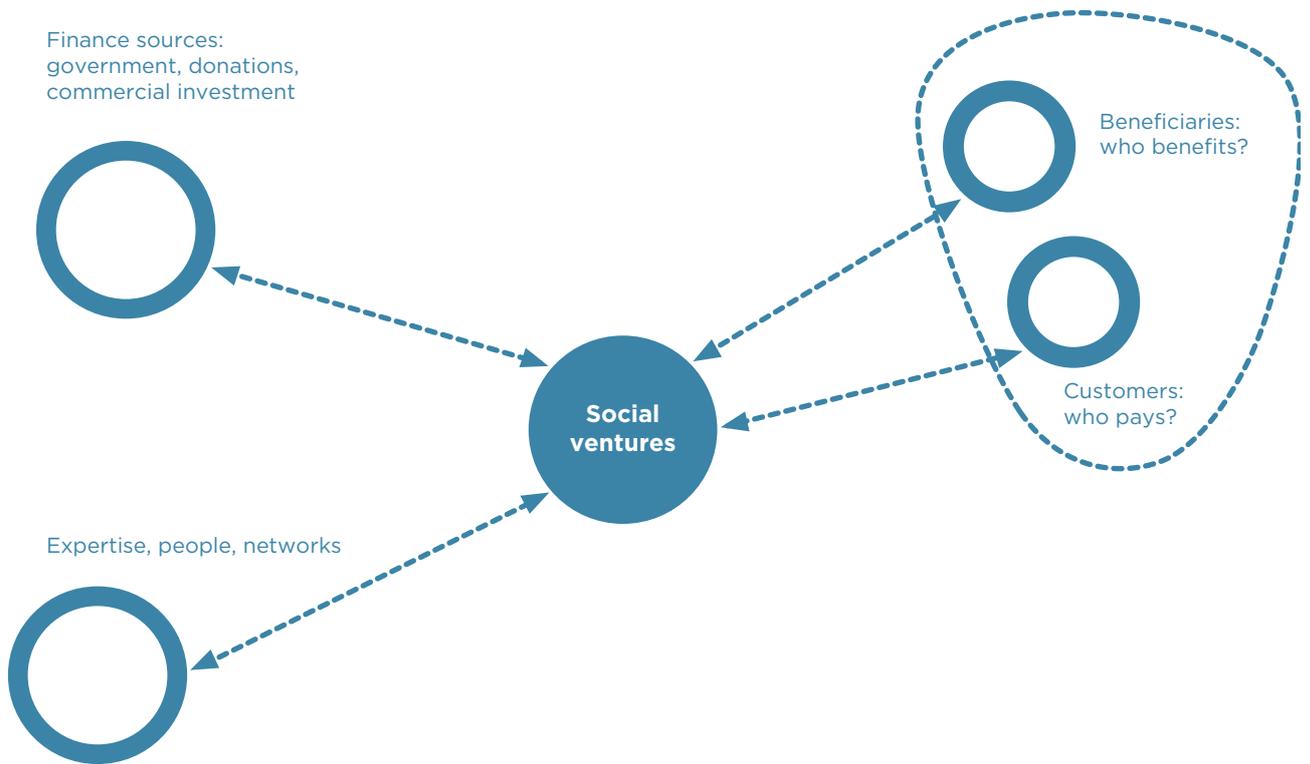
Social venture intermediary

There are also many existing institutions that social ventures in the UK can draw on – such as finance intermediaries (like banks), labour market intermediaries (like recruitment agencies), and market intermediaries (like wholesalers and retailers). There is no need to replicate all of this for the social sector but there are specific needs which call for specialist intermediaries.

Many we spoke to testified to the need for intermediaries to focus on areas in which there are market or government failures – issues that create specific hurdles for social ventures. These include cases where social goals cannot be served by existing institutions, or where existing institutions haven't yet adapted to accommodate the needs of social ventures.

We have assessed some of the unique needs facing social ventures, and then looked at what role intermediaries could play in these areas – and how well they do this

The framework we've used for understanding social ventures looks at four of the key actors around the social venture and how they interact.

Figure 6: A framework for understanding social ventures

In our framework there are four key actors that social ventures almost always draw on to survive and thrive:

- **Providers of finance** – offering capital, to invest in the development of the venture, or finance cashflow gaps, which might include government, foundations, philanthropists and commercial investment.
- **Providers of people, expertise and networks** – offering the labour, skills, expertise and networks for the venture.
- **Customers** – those who pay, which might include donors who pay for specific

programmes, beneficiaries themselves, or public sector commissioners.

- **Beneficiaries²⁰** – those whom the social venture is intended to serve. Sometimes this is the same as their employees (as with social firms) and sometimes this is the same as their customer (as with ventures with a direct-to-customer business model).

Using this framework, we propose a rough segmentation of intermediaries. Many organisations straddle a number of roles – where they do so, we have attempted to separate out different functions and assess them separately.

We have identified five main roles of intermediaries:

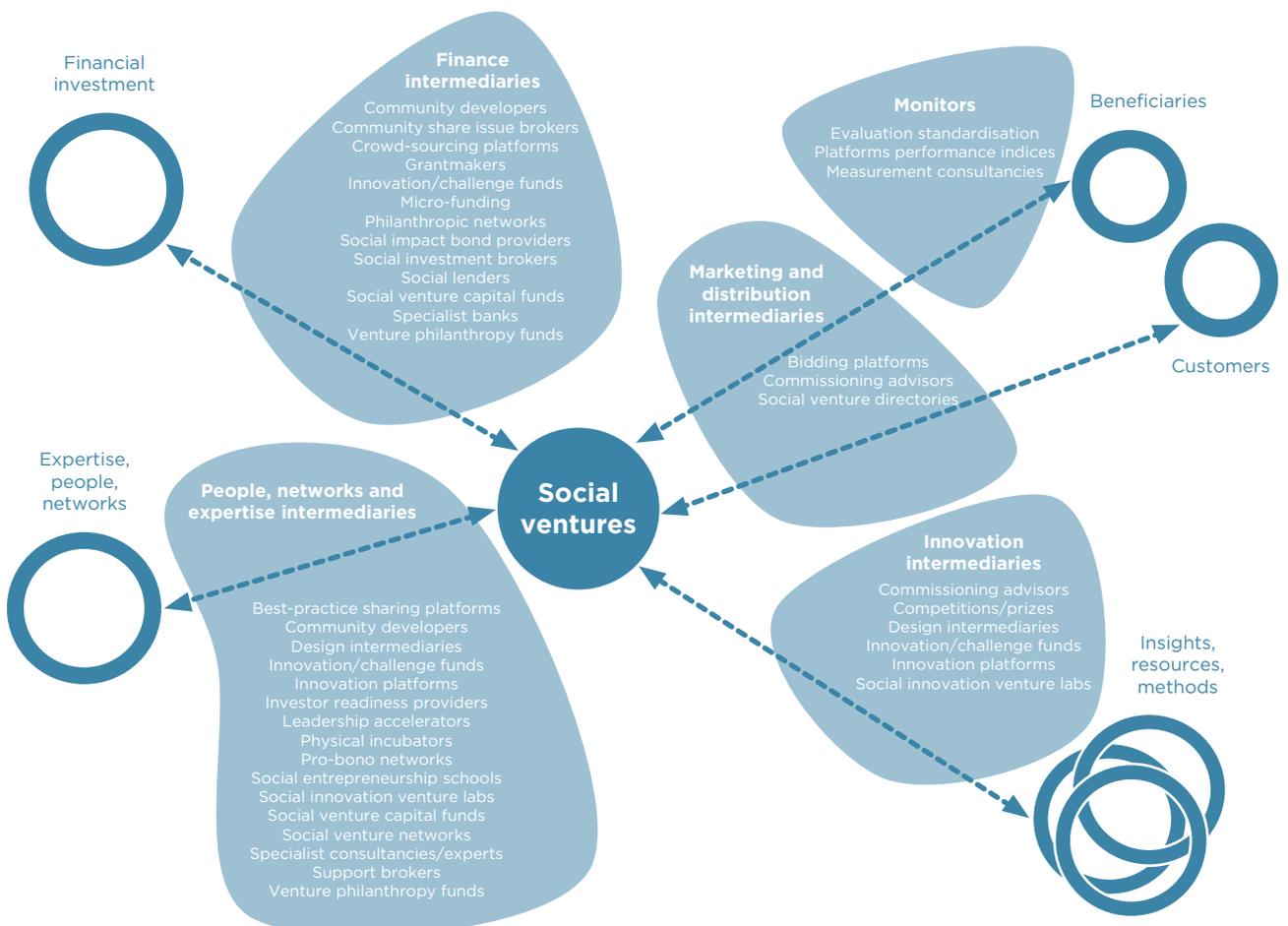
- **Finance intermediaries** – organisations that bring in finance to social ventures, tailor it to their needs and structure a mix of social and financial returns.
- **People, networks and expertise intermediaries** – organisations that help to build the skills of social ventures, bring in expertise, offer training and match potential employees with social ventures. These take various forms: virtual networks, physical spaces, expert consultancy, placement of volunteers and others.
- **Marketing and distribution intermediaries** –

organisations that enable ventures to reach paying customers and help customers to find social ventures. These include various forms of market places or match-making services as well as expert advisory work.

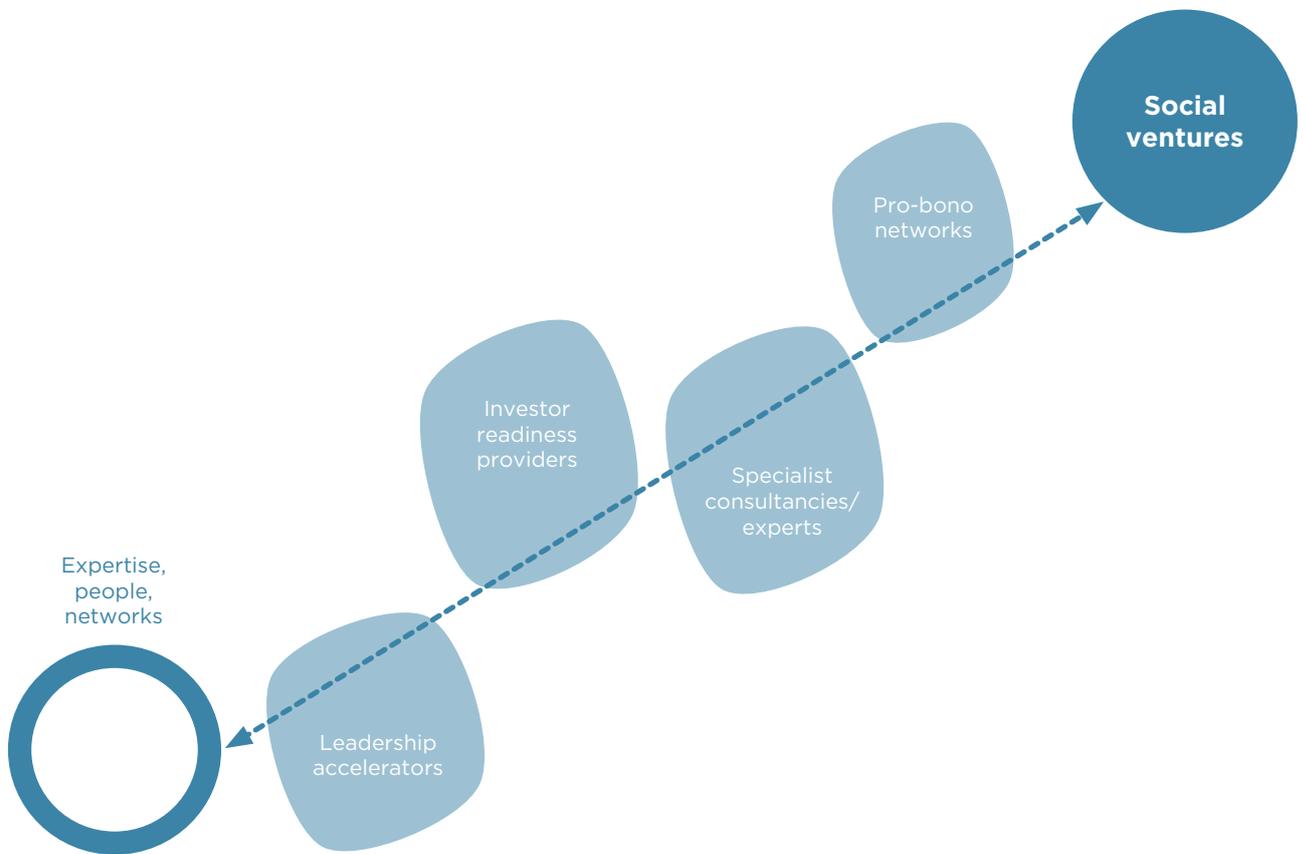
- **Innovation intermediaries** – organisations that focus on innovative social ventures, launching social ventures.
- **Monitors** – organisations that assess the effectiveness of social ventures, and provide information to the marketplace on their function.

We look at each potential specialist role of intermediaries, and a typology of services and models they use in turn.

Figure 7: Five key roles of intermediaries



1. INTERMEDIARIES THAT PROVIDE ACCESS TO EXPERTISE, PEOPLE AND NETWORKS



With any business, good advice and good people can make the difference between success and failure. Companies that are supported by top-tier venture capital firms are more likely to succeed, particularly when they are led by first-time entrepreneurs.²¹

Most social ventures juggle targeting social returns with growing a business, which calls for a complex mix of skills

Finding this mix to target social problems, which involves working with a range of public, voluntary and private sector stakeholders as well as growing a business, is tough. It requires management teams who understand at least four different worlds: their consumers' purchasing criteria; their beneficiaries' social needs; business and management disciplines; and public policy in the space in which they operate. In a young sector, finding management teams that combine this level of expertise is rare, and salaries struggle to compete with those in the private sector, particularly as many social ventures

underfund investment in recruitment and talent management. Just 5 per cent of third sector organisations operated a structured graduate recruitment program in 2009, compared with 24 per cent private sector services and 23 per cent of public sector employers.²² This leaves many social ventures with a better developed set of skills relating to understanding and responding effectively to social needs than they do to business and management.

Networks also play a more critical role for social ventures than others. Practitioners with specialist skills in understanding social issues and designing interventions, input from professionals with strategic management experience, and pro-bono relationships with legal, marketing and HR specialists can help ventures design for scale. Relationships with fellow social entrepreneurs can increase a ventures' awareness of the availability of support for them and their idea, particularly in an early industry with relatively underdeveloped social entrepreneur networks. Finally, connections

Which are the intermediaries that provide expertise, people and networks?

Best practice sharing providers

e.g. Cooperatives UK, DTA

Supporting community enterprises to spread their impact, these organisations offer best practice and 'how to' guides, and inspirational case studies in order to help models 'scale out'.

Community developers

e.g. Energy4All

These intermediaries provide finance and support to community groups looking to purchase an asset and use it for social and/or environmental good.

Design intermediaries

e.g. Think Public, Live:Work

Taking a design-centred approach to solving social problems is central to the work of these organisations, who shape public services by exploring user journeys and perspectives; they commonly use unusual methods such as visual thinking to develop innovative ways of designing physical spaces and service pathways.

Innovation/challenge funds

e.g. NESTA Big Green Challenge, Age UnLimited

Challenge funds set specific simple goals for applicants - to solve a social or environmental problem, aiming to find innovations.

Innovation platforms

e.g. Social Innovation Camp

Innovation platforms bring together networks of social entrepreneurs and advisers to develop new services and ventures.

Investor readiness providers

e.g. UnLtd Advantage

Without funds, investment readiness providers focus specifically on social finance, with a fee-based service to enable high-growth potential ventures to attract finance.

Leadership accelerators

e.g. Ashoka, Clore Social Leadership Programme

Focused on individuals rather than ventures, leadership accelerators develop leadership capacity by providing social entrepreneurs with training and professional networks.

Physical incubators

e.g. The Hub, CAN Mezzanine, Centre for Social Innovation (Toronto), MaRS Discover District (Toronto)

Through the provision of physical resources, primarily serviced accommodation, and business services, these organisations recognise the advantages of bringing social entrepreneurs together in a common collaborative space.

Pro-bono networks

e.g. UnLtd Connect

These intermediaries connect people with expertise, often from the private sector or social entrepreneurs themselves, to ventures looking for support.

Social entrepreneurship schools

e.g. INSEAD, School for Social Entrepreneurs

Social entrepreneurship schools train, and develop the leadership capacity of aspiring social entrepreneurs.

Social innovation venture labs

e.g. Shaftesbury Partnership, Participle

Generating innovative business-based solutions to large-scale social problems, such as an ageing population, these organisations attempt to generate change through actively creating and growing and/or diffusing social ventures.

Social venture capital funds

e.g. Big Issue Invest, Bridges Ventures

Providing patient capital in the form of equity and quasi-equity, these organisations believe in early investment of resources to help scale up or grow.

Social venture networks

e.g. Ogunte

These intermediaries bring together social entrepreneurs as a peer group to provide each other with support and advice, as well as access to professional networks.

Specialist consultancies/experts

e.g. BWB, Eastside Consulting

Offering much the same services as an investment readiness provider, these organisations charge ventures for management consultancy services.

Support brokers

e.g. SETAS

Support brokers provide social entrepreneurs with a means to select the support that is appropriate to their stage of growth through publishing directories of support, sometimes user rated.

Venture philanthropy funds

e.g. Private Equity Foundation, Impetus Trust

Venture philanthropy funds invest through providing bespoke money, expertise, advice and guidance on a strategic basis after a comprehensive and detailed due diligence process, modeled on that of private equity in the private sector.

with public policymakers can enable growth. These networks can be provided through a physical space such as hubs, virtually or through mediated introductions.

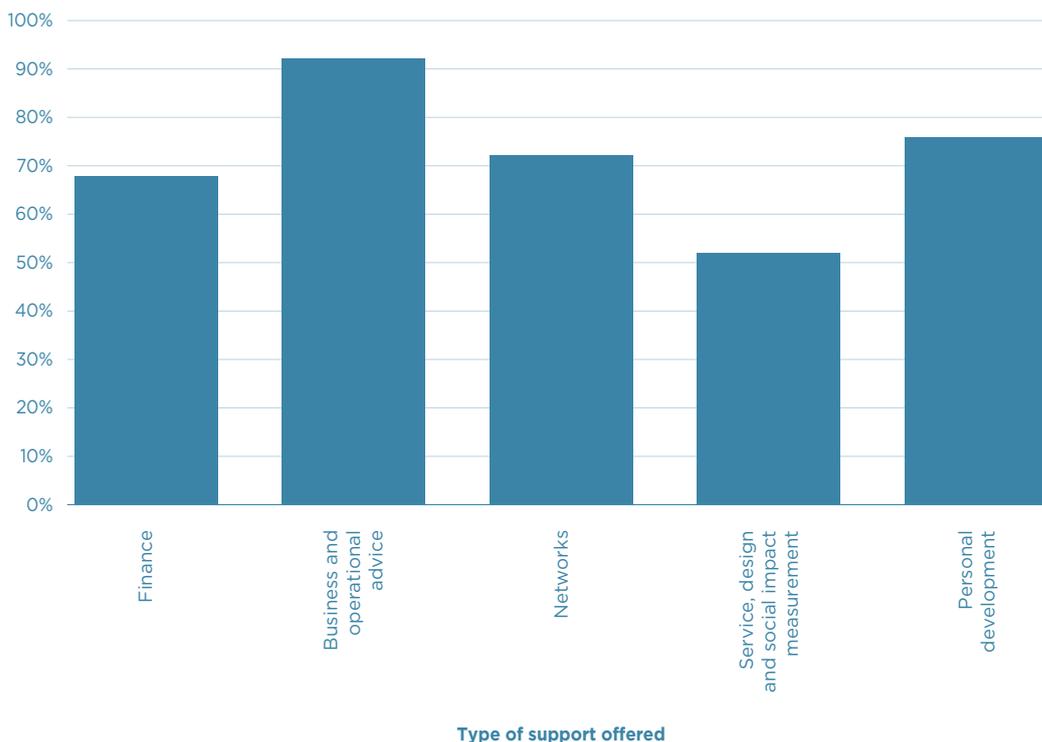
"[Some SVIs] get hooked up on the finance and don't do enough about supporting the people and the vision. One of the great things about the best SVIs is that they are very supportive of you."

Social venture

Intermediaries provide important business and operational insight to social ventures they work with

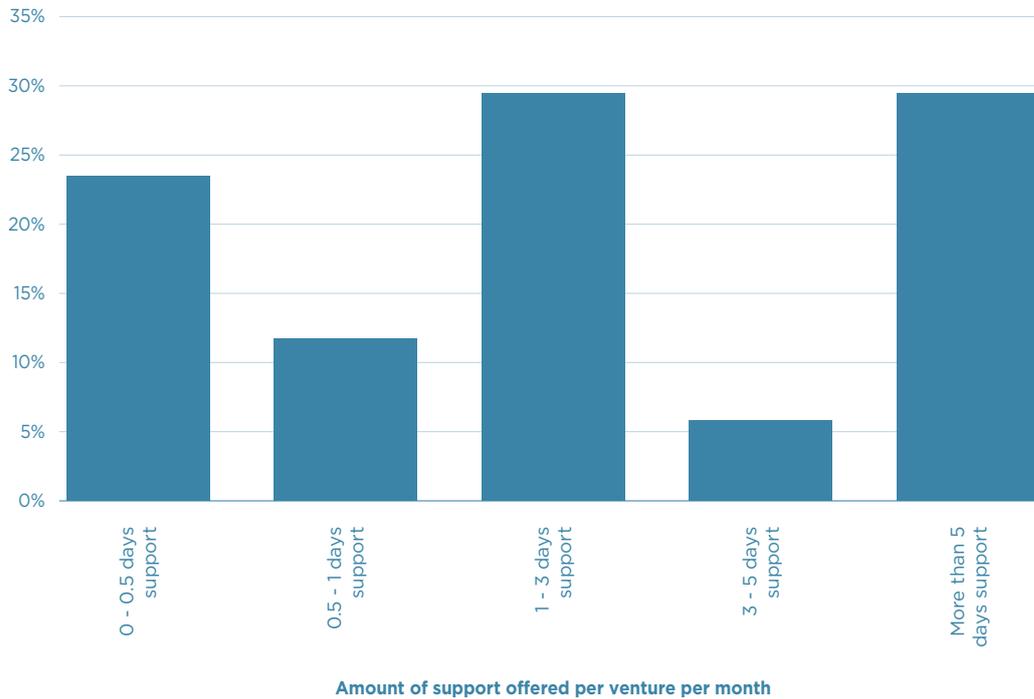
Ninety-three per cent of the social venture intermediaries surveyed felt that business and operational advice was a primary benefit that intermediaries offered ventures. Nearly 70 per cent of intermediaries we surveyed spent more than one day per month supporting the ventures they work with, with around a third spending more than five days per month on each venture.

Figure 8: 93 per cent of social venture intermediaries see business and operational advice as a primary benefit for the ventures they work with



Source: Social venture intermediary survey, The Young Foundation (2010)

Figure 9: Intermediaries invest considerable amounts of time in developing the ventures they work with



Source: Social venture intermediary survey, The Young Foundation (2010)

Intensive hand-holding typified many social venture intermediaries: nearly 90 per cent of intermediaries offer support in the form of one-to-one advice and guidance – more than the proportion that offer brokerage services, peer learning platforms, group training or information services.

Sometimes the sophistication of the expertise and support on offer is too much for the business needs of a largely young, small-scale sector

There was widespread acknowledgement that sometimes this intensive input didn't reap rewards because of basic skills gaps among social entrepreneurs. Anecdotal examples we heard included a lack of experience in financial management, ease with a cash flow statement, or developing strategy. There was also anecdotal evidence of low turnover among the leadership of social ventures – charismatic entrepreneurs who did not tend to give way to management that could build the organisation. Though adopting some of the methods of venture capital, we found very few intermediaries who would change the management team of a social venture, preferring to build skills and coach existing leaders.

“We’ve got the visionaries, but a lot of them fail because they don’t have the skills and aren’t prepared to get them.”

Social venture intermediary

“There is a lack of skills. What if we’ve just got the wrong people?”

Social venture intermediary

Good start-up support and good scale support typically is unmatched by adequate support in the critical transitional growth phase

Many intermediaries offered one of two kinds of support – either mentoring in the start-up phase; or pro-bono consulting and private equity-style input in a mature phase. There are relatively few networks for social entrepreneurs to share lessons with each other during the critical growth phase. One reason for this was that several ventures felt that there was a relative lack of first-hand operational experience among intermediaries of driving a business during its growth phase, when management issues, among others, become high priority for many ventures. Neither start-ups nor large organisations with established management teams, these organisations require significant advice and guidance on systems, staff and

Table 1. Is there a 'missing middle' for expertise on offer to social ventures?

	Early stage	'Middle' growth stage	Scale stage
Activities	<p>Starting-up the organisation, establishing the social need and proving the concept, through:</p> <ul style="list-style-type: none"> • Business model design • Incorporation • Service design • Social research 	<p>Establishing a clear market for the products/services and deliver at a reasonable scale, through:</p> <ul style="list-style-type: none"> • Business model refinement • Expansion beyond initial start-up area • Operational systems (HR, finance, etc.) development 	<p>Establishing the venture serving many beneficiaries, through:</p> <ul style="list-style-type: none"> • Delivery partnerships • National expansion
Possible needs	<ul style="list-style-type: none"> • Business basics skills • Stakeholder management • Start-up capital • Understanding impact • Market insight • Governance and legal advice • Cheap office space • Impact measurement expertise • Credibility 	<ul style="list-style-type: none"> • Financial management skills • Management skills • Sales and marketing skills • Development capital • Working capital • Networks • Market insight • Skilled human resources • Policy influence 	<ul style="list-style-type: none"> • Strategic management skills • Policy influence skills • Large-scale growth capital • Skilled human resources • Working capital
Potential intermediary roles	<ul style="list-style-type: none"> • Basic business skills training • Leadership development and networking platforms • High-risk start-up capital • Incubation space • Legal advice • Service and business model design processes • Mentoring and support 	<ul style="list-style-type: none"> • HR support and advice • Marketing and sales advice • Developing routes to market, diversifying services, growing market share • Systems advice and development • Policy networks and advice • Bidding platforms 	<ul style="list-style-type: none"> • Scaling strategy • Strategy consultancy • Advice on mergers and acquisitions in the social sector • Recruitment channels for highly skilled individuals

structures, but lack the capacity to absorb very resource-intensive due diligence processes.

"We all struggle to find the really promising organisations in that [middle] space. There are very few ventures that show promise."

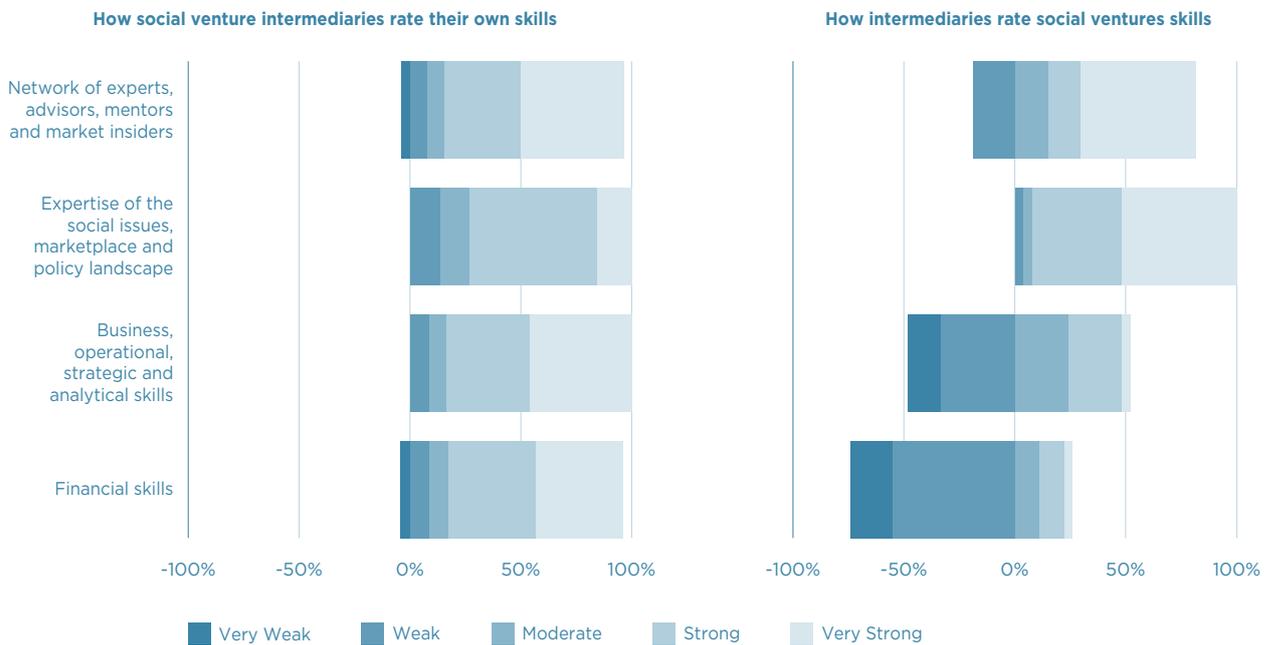
Social venture intermediary

Too few intermediaries are confident at appraising social impact well enough to be able to improve the effectiveness as well as the commercial sustainability of the ventures they work with

When asked about their own skills, intermediaries

rated themselves least strongly on their understanding of social issues – and rated social ventures most strongly on their understanding of social issues. It is hard to see how many intermediaries can determine whether ventures have the capacity for creating social impact or not. This may mean that many intermediaries support ventures that are not better than existing provision, or able to make a significant impact. Additionally, intermediaries aim to increase impact through effective business strategy rather than improving services for the end-user or beneficiary – meaning that these services often remain neglected in the business support process.

Figure 10: Social venture intermediaries rate their own finance/strategy value-add highly – but less so their understanding of social problems



Source: Social venture intermediary and social venture surveys, The Young Foundation (2010)

Case study: How networks helped fuel the rise of Teach First

A McKinsey project for London First and Business in the Community looking at ways of addressing educational disadvantage led to the birth of Teach First. One of the consultants on the project, Brett Wigdortz, decided to take a 6-month sabbatical to set the venture up in 2002 but continued to use his McKinsey office and drew on the considerable expertise of his colleagues.

Teach First aims to beat educational disadvantage through recruiting and training high-calibre graduates as classroom teachers, placing them in challenging schools for two years, and developing them into an alumni movement that drives systemic change in the education system. Wigdortz (who is now Teach First's Chief Executive) aims to have 730 high-calibre graduates starting as Teach First teachers in September 2011.

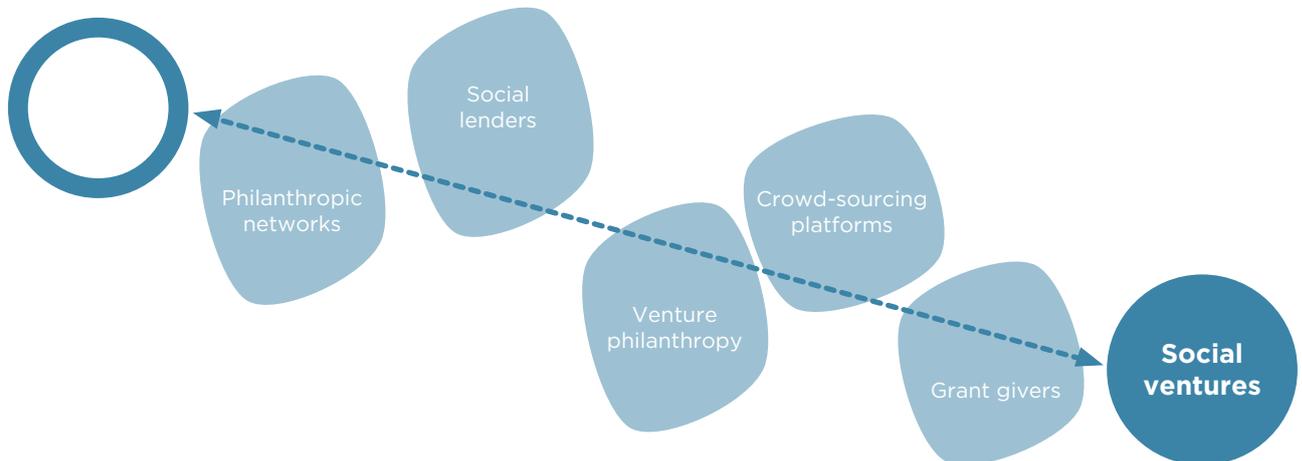
He reflects: *"I think McKinsey served as an incubator without realising it"*. Wigdortz was joined by other employees, including fellow ex-McKinsey consultant (now Lord) Nat Wei as one of his senior directors. In the early days, Wigdortz was supported by an experienced strategy consultant, Jo Owen – who had been inspired to get in contact with him after hearing a radio programme about Teach for America while in San Francisco – and, in Owen's words, 'absolute believers' George Iocobescu from Canary Wharf Group and Rona Kiley from London First. After three years of operation, Teach First worked with McKinsey again to consider the viability of expansion and has benefitted from pro-bono advice from firms such as PwC. When we asked Wigdortz about what had been responsible for the success of Teach First, he told us: *"I've had lots of great mentors and coaches supporting me, and a great board and chairwoman. The pro-bono support we've received has been of the highest quality"*.

Teach First's success was borne out of a group of highly-skilled professionals with access to a

network of corporate contacts that could provide high quality pro-bono support and financial backing. Its origins in a top strategy consultancy played a critical role in helping Teach First to attract a strong team and rich support network. These elements were not built by specialist intermediaries (though Teach First did receive finance and business support from CAN's breakthrough fund to help develop operational systems in areas such as financial management and HR), but were critical in the growth and success of Teach First. Wigdortz told us that what would have been most useful for Teach First in the early days was more support from intermediaries on corporate functions: *“corporate governance, IT, human resources, facilities management: these were our big problems in the early years when there were 10-20 of us.”*

2. INTERMEDIARIES THAT PROVIDE FINANCE

Primary finance providers
(individual lenders, banks,
charitable foundations, etc.)



More than most businesses, social ventures need access to capital. With 39 per cent of social enterprises relying on government commissioning for over 50 per cent of income, many enterprises need access to credit to manage lumpy payments from government based on the results of delivery. For others, low margins mean that gaining commercial finance for growth is impossible, particularly in the earliest stages. And in a sector made up of cooperatives, industrial provident societies, charities and community interest companies, getting risk finance to grow is difficult since they cannot sell a stake in their company as equity.

In some parts of the world mainstream banks

have engaged directly in social investment. For example in Spain Bilbao Biskaia Kutxa invests some 102 million Euro each year in social welfare activities, with a range of social financing funds. In Italy Intesa San Paolo, one of Europe's largest banks, set up a dedicated arm to finance social enterprises, Banca Prossima, and Banca Etica has long provided finance for other social organisations. In the UK, with the partial exception of the Cooperative Financial Services, the banks have not made comparable commitments to social investment.

Instead, a broad range of other players have filled the gaps. The box below summarises these:

Which are the intermediaries that provide finance?

Community developers

e.g. Energy4All

These intermediaries provide finance and support to community groups looking to purchase an asset and use it for social and/or environmental good.

Community share issue brokers

e.g. DTA

Promoting community ownership as a way to finance community enterprise, these organisations work with communities to structure and facilitate a community share issue.

Crowd-sourcing platforms*e.g. Buzzbank*

These online marketplaces facilitate many small-scale givers to invest in social ventures, enabling social ventures to 'crowd-source' the investment they need.

Grantmakers*e.g. Esmée Fairbairn, Big Lottery Fund*

These provide grants for all social purpose organisations not just social enterprises, usually on a project-by-project basis, but sometimes for the whole venture.

Innovation/challenge funds*e.g. NESTA Big Green Challenge and Age UnLimited*

Challenge funds set specific simple goals for applicants - to solve a social or environmental problem, aiming to find innovations.

Micro-funding*e.g. UnLtd Level 1*

These organisations provide small grants to very early-stage projects and ventures.

Philanthropic Networks*e.g. Funding Network*

These physical marketplaces bring together funders and social ventures to enable pitching and basic due diligence to happen, operating like angel investor groups.

Social impact bond providers*e.g. Social Finance*

Social impact bonds are new financial mechanisms that produce a financial return on the basis of social impact. These providers arrange contracts between public sector bodies and investors where the public body pays investors upon ventures' achievement of specified social outcomes.

Social investment brokers*e.g. ClearlySo*

Brokering financial investment for ventures, these organisations have extensive networks into angel and institutional investors and bring these together with ventures and entrepreneurs seeking investment.

Social lenders*e.g. Venturesome, Social Investment Business*

They provide debt financing for social enterprises and other organisations. These loans are provided with varying levels of interest.

Social venture capital funds*e.g. Big Issue Invest, Bridges Ventures*

Providing patient capital in the form of equity and quasi-equity, these organisations believe in early investment of resources to help scale up or grow.

Specialist banks*e.g. Triodos, Unity Trust Bank*

Providing services to non-profit organisations, specialist banks understand the demands of social ventures and structure their services around their clients' needs.

Venture philanthropy funds*e.g. Private Equity Foundation, Impetus Trust*

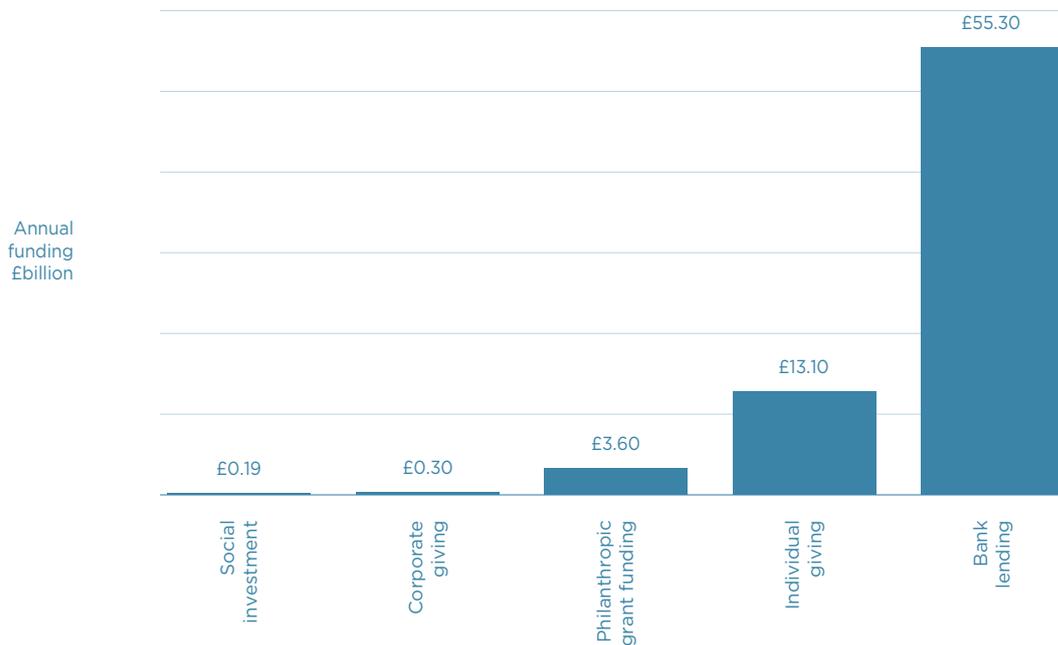
Venture philanthropy funds invest through providing bespoke money, expertise, advice and guidance on a strategic basis after a comprehensive and detailed due diligence process, modeled on that of private equity in the private sector.

Finance is probably the best-served area of provision for social ventures, and has been the primary focus over the past decade or more

At least £350 million of public money has gone into social entrepreneurship funds, with the creation of UnLtd in 2001 (£100 million), the launch of CDFIs in 2003 (£42 million), the launch of Futurebuilders in 2004 (£125 million), and the Department of Health Social Enterprise Innovation

Fund in 2009 (£100 million).²³ More millions have come from other sources.

But social finance remains a small source of the potential capital available to a small business in the UK. Relative to total bank lending to UK small businesses or UK individual giving to charity, it represents a tiny proportion of overall activity.

Figure 11: Social finance remains small compared with small business lending or charitable giving

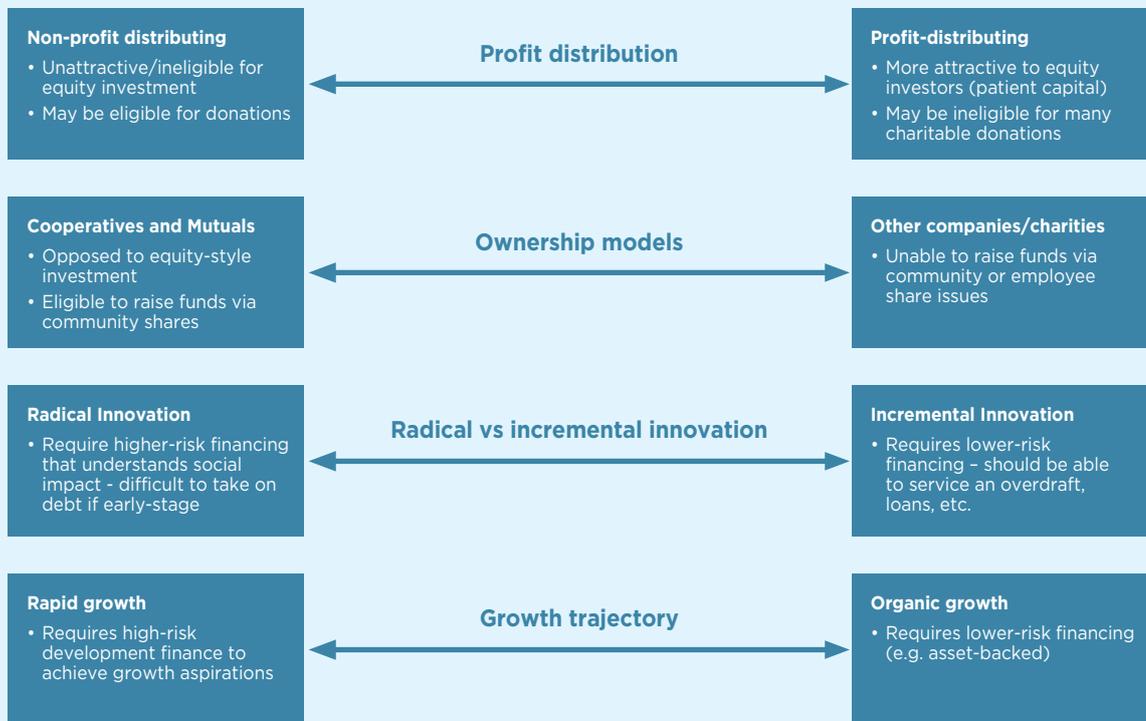
Source: Social venture intermediary survey, The Young Foundation (2010)

Box 2: Different finance needs for different ventures

In the diagram below, we illustrate how different types of venture have different restrictions and attract different types of finance. For example:

- A profit-distributing social venture would be able to take on equity finance and produce dividends for its investors.
- Cooperatives are inherently opposed to receiving equity-style investments from investors who are not their consumers or employees.
- Radically innovative ventures are higher risk prospects to social investors because, if their customer is not their services' user, they may not yet have built effective demand; and for ventures that plan to grow organically, use of their own profits meets a higher proportion of their capital needs than external investment.

Many we spoke to felt strongly that certain types of social venture were overlooked by current finance provision – for example, that there were too few focused on rapid growth, and too many on non-profit distributing models; and too few whose finance would support radical innovation, and too many focused on incremental innovation.

Figure 12: Finance needs change according to the values and operational form of social ventures

Without a comprehensive map of different types of finance for different ventures (almost impossible to construct on elusive current data) it is difficult to prove or disprove these views, but developing evidence will be a critical goal for social finance if the sector is to understand how well it serves the social ventures that they exist to fund.

Finance continues to play an important role for social ventures, which face many barriers to accessing capital in the commercial sector

Finance is required by all businesses to invest in growth and manage periods of uncertainty. Cultural problems exist on both the supply and demand side of social lending – commercial lenders still see non-profit organisations as riskier debtors and some non-profit finance managers see debt as antithetical to good financial management of charities.

“All the fund manager does is pull together the funding and structures it in a way that is attractive for the enterprise. There is no doubt that the sector is held back by access to funding. Once you don't think you can get the funding, you don't write the business plan, you don't scale; you are stuck.”

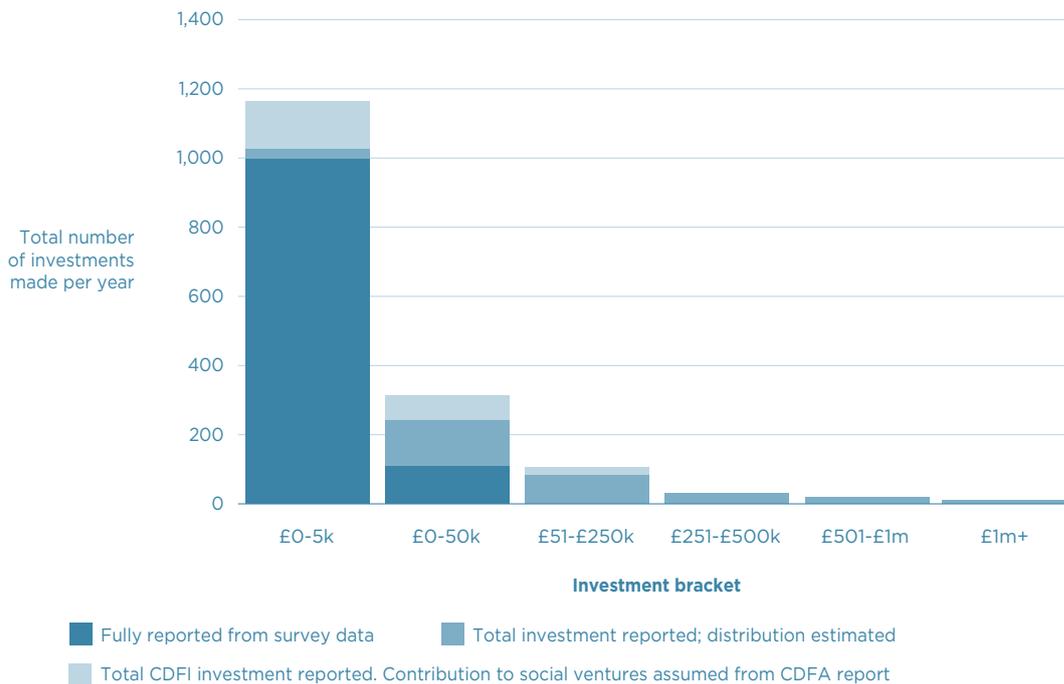
Social venture intermediary

Pumping more finance into the sector is unlikely in itself to realise growth in the sector, without careful thought on how it is structured

Despite the relative scale of provision of social finance, many social investors struggle to find investible ventures. The finance intermediaries we surveyed reported that only 16 per cent of the social ventures that approached them were successful in receiving investment, with a handful reporting that as little as 1 per cent of ventures approaching them are investible. Though there is no published evidence on how many deals are made, several investors cited relatively low investment rates, with many mentioning that Triodos' Social Enterprise fund closed in July 2010 after making just one deal. The problem seems not to be one of poor supply of capital, but a lack of demand for such capital from viable ventures.

Many of the intermediaries we spoke to felt that this poor demand was, in part, due to a lack

Figure 13: The majority of social finance opportunities are restricted to very small sums – with little for more than £50k



Source: Social venture intermediary survey, The Young Foundation (2010); verbal reports from other SVIs

of capacity building that focused on helping ventures become investible.

“Nobody wants to invest in deal development but there is a need for generic investment readiness support.”

Social venture intermediary

There are few incentives for intermediaries to co-finance ventures, and this might be a quick-win. By working together, and with commercial providers of finance, each individual intermediary is likely to be able to do better than through working alone. Many testified to a desire to do this, but hadn’t reached an explicit agreement or developed a mechanism to do so.

There are too few finance opportunities for ambitious start-ups

Our map of social finance suggests that most social venture investment deals are restricted to very small amounts.

Two-thirds of the social venture-oriented finance deals available last year were micro-grants of £5,000 or less. This figure is far short of a start-up social enterprise’s requirements

to pay, for example, a single minimum wage salary for one year before significant sales are secured. There are far fewer opportunities to get £50,000-£250,000, which an early-stage venture might need to establish its impact. This might leave ambitious start-ups with having to cobble together the required finances from many different sources – raising this capital takes time and diverts attention away from the development of the venture. Other intermediaries spoke of many ‘ignored’ social-purpose organisations that are more reliant on grant-funding. The potential to convert these into organisations with a social enterprise approach operating at a national scale is large.

Gathering data from our own survey of social venture intermediaries and published figures and reports on types of financiers such as Community Development Finance Institutions (CDFIs), was difficult. Care needs to be taken in drawing conclusions from social finance mapping. Social ventures may not only receive investment from organisations that explicitly aim to invest in social ventures or blend social and financial return – many get investment through charitable grant giving and mainstream commercial finance.

Box 3: The realities of...

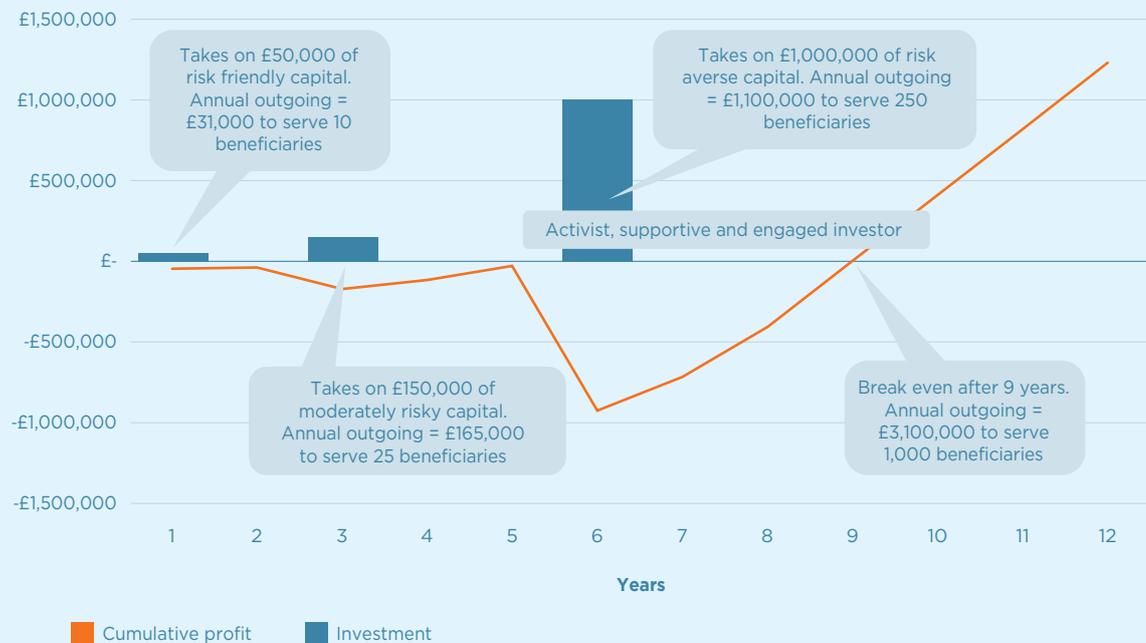
Starting-up

In a fictional case where a social venture paid starting salaries of £15,000, hired a team of three people and spent £5,000 on office space or any other costs, a working capital requirement for a single year's operations would be £50,000.

Scaling

A typical social venture working in employability and training (the most common service delivered by social venture²⁴) has a unit cost of £3,000-£4,000 for the delivery of their services. To scale to 5,000 beneficiaries would require a turnover of £15-£20 million. An investment that represented 10 per cent of revenue, a reasonable estimate of the lower limit amount of capital required to grow to this scale, would be £1.5-£2 million and there are few social venture-oriented investments made of this size.

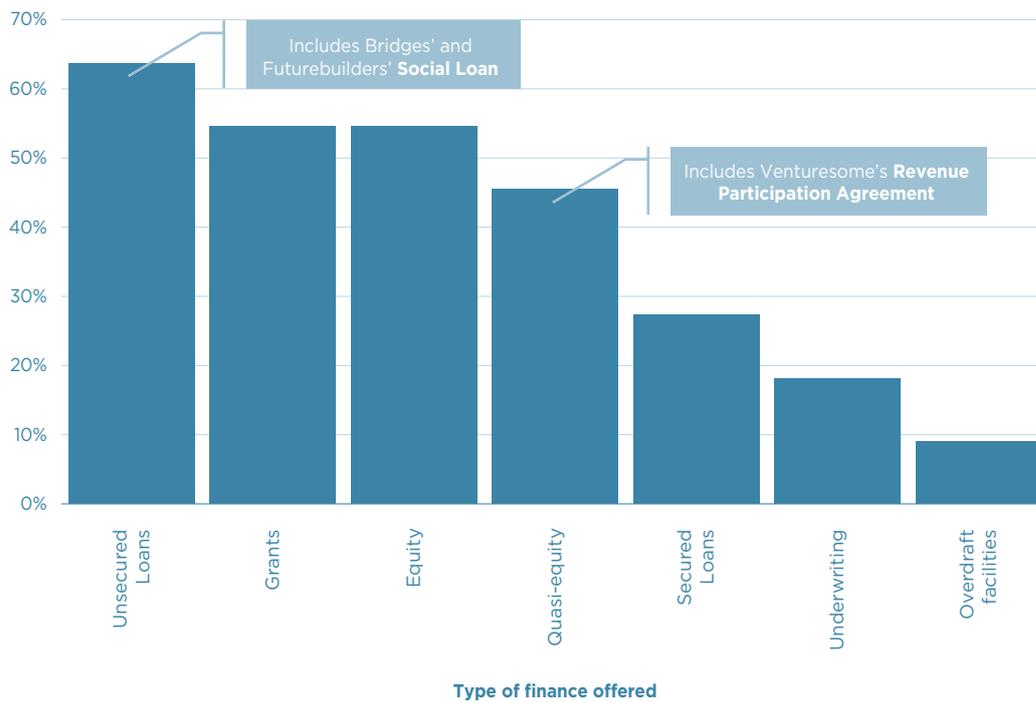
Figure 14: The typical journey of a social venture's capital requirements



Assumptions: Unit cost of intervention = £4,000 (based on typical employability provider); salaries remain constant = £25,000; interest on capital = 0%; at scale overheads = £60,000; profit margin = 10% throughout

More than 60 per cent of the intermediaries we surveyed are using loan finance – with a mix of returns modelled on social impact, revenue, and other areas – as a way to provide risk capital to enable social ventures to invest in growth. Many finance instruments (including quasi-equity and

social impact bonds) are relatively new and untested, and providing sound, impartial advice to social ventures on whether, when and how to take on this and other kinds of investment is another important intermediation role.

Figure 15: Many social finance intermediaries provide a mix of grants and loan-like capital

Source: Social venture intermediary survey, The Young Foundation (2010)

Case study: How finance helped scale the HCT group

HCT Group is an award-winning social enterprise in the transport industry, delivering 30,000 passenger trips every day

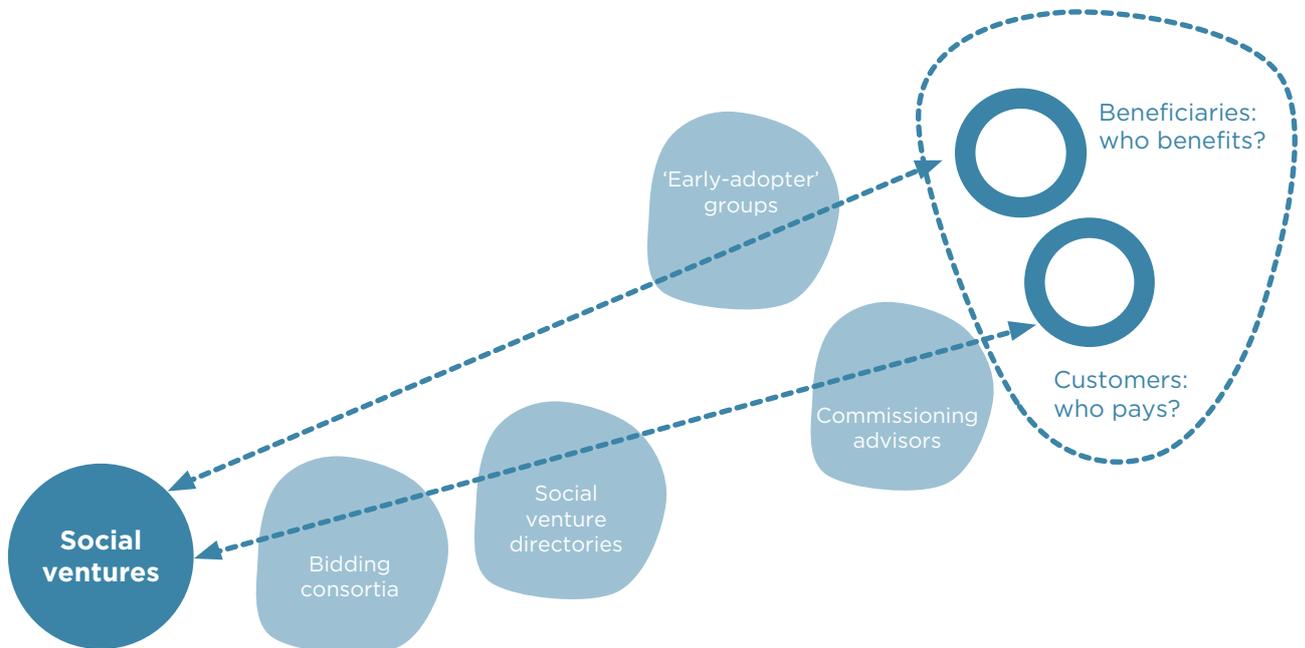
Founded as Hackney Community Transport in 1982, they started to compete in the marketplace for transport contracts in 1993, aiming to re-invest 30 per cent of profits into community services, with the remainder used to support the growth of the enterprise. This marked the start of a period of consistent growth fuelled in part by a sustained period of social investment. HCT Group's revenue grew more than a hundred-fold from a turnover of £202,000 in 1993 to a turnover of £23.3 million in 2009.

Transport is a capital-intensive industry and access to capital is the single greatest barrier to scale. Throughout its growth, HCT Group has benefitted from its relationships with social venture intermediaries as a source of capital.

As growth really began to take off, Co-operative and Community Finance (CCF) were able to provide working capital and vehicle finance. The LDA's Social Enterprise Growth Fund, administered by the CCF and the London Rebuilding Society, provided finance for buildings and infrastructure. Big Issue Invest has provided both working capital and capital to finance the start-up of new services.

In February 2010, HCT group secured £3,000,000 to finance the next phase of its expansion through a brand new type of social finance, a 'social loan', which was provided by Bridges Ventures in partnership with Futurebuilders, linking investor returns to HCT's turnover.

3. INTERMEDIARIES THAT PROVIDE MARKETING AND DISTRIBUTION CHANNELS



Many social ventures face a particular type of problem when marketing, selling and supplying their products and services – the state is paying for a service on behalf of a third party. Enabling ventures to market to and supply to the public sector is a major intermediary role in this area; helping commissioners to effectively work

with social ventures to produce social value is another. Finally, intermediaries play an important role in enabling social ventures to target their beneficiaries – many social ventures target schools, hospitals and other organisations as a way to help them find and target those they wish to serve.

Which are the intermediaries that provide marketing and distribution channels?

Bidding platforms

e.g. 3SC

Bidding platforms bring together small and medium-sized social ventures together in consortia to bid for large public sector contracts.

Commissioning advisors

e.g. Innovation Unit, Young Foundation

These organisations offer consultancy

services to help broker relationships between public sector clients of social enterprises and social ventures in their areas.

Social venture directories

e.g. Social Firms UK online directory

Publishing a directory online enables purchasers who want to make ethical procurement decisions to access the details of social ventures that offer those services.

The role of intermediaries that facilitate demand for social ventures is one of the most critical, and underdeveloped roles they can play

Effectively enabling social ventures to build demand helps them to become sustainable, helping in turn to raise finance and draw in people. This intermediary role is not about understanding effective marketing techniques or trying to gain customer insight – it is about overcoming real and practical hurdles to supplying to the types of contracts a social venture might face. In the private sector, a range of wholesalers, online marketplaces, and retailers form part of a chain that enables many products to find demand more effectively and cheaply than individual manufacturers creating their own retail outlet on the high street. Some social ventures, particularly Fairtrade, can use existing distribution channels, because they are serving an existing demand. For others, particularly innovative models, efficient ways to reach customers and beneficiaries physically is far more underdeveloped.

“What social ventures need is people to buy from them – that’s what they need more than anything.”

Social venture intermediary

A growing culture of payment-by-results creates an urgent need for effective market intermediaries

Smaller ventures can work together to participate in government contracts that require significant working capital, but relatively few intermediaries

offer this support. For social enterprises of between £250,000 and £1 million turnover, 48 per cent rely on the state for over half their income.²⁵ In focus groups, we found that social ventures found it hard to access expertise on how to bid for government contracts, and feared long and complex tendering processes, commissioning guidelines that make payments long after work begins (necessitating large amounts of working capital) and large contracts that crowd out small organisations with low savings.

“We had a need for assistance in working to change the specific commissioning policy to make our business possible. The intermediary who helped us was unable to assist – it was a big problem.”

Social venture

There are relatively few organisations helping small social ventures join together via bidding consortia or understanding mergers and acquisitions for the social sector. Public sector-commissioned markets are often dominated by large private organisations as few intermediaries are supporting smaller ventures to join with larger entities to be able to win the contracts that can help grow sustainability. Eastside’s 3SC bidding platform is a notable exception.

“A change to outcomes-based commissioning is great for improving professionalism, and helping replication. But there is a real danger that it could crowd out innovation.”

Social venture intermediary

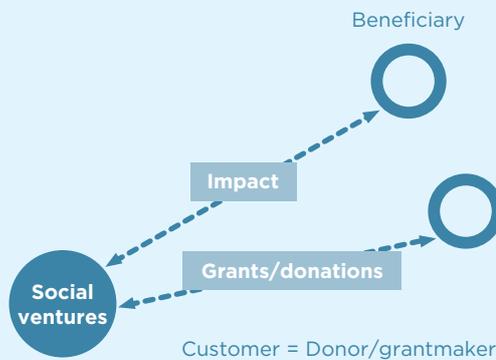
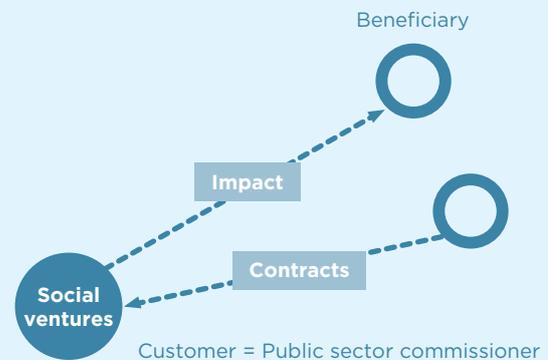
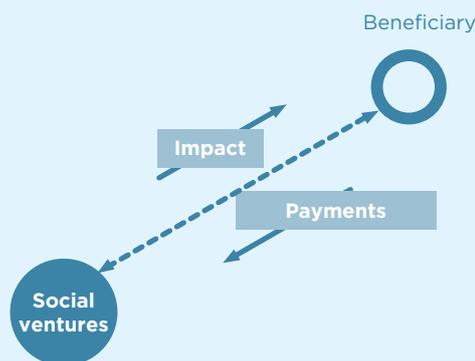
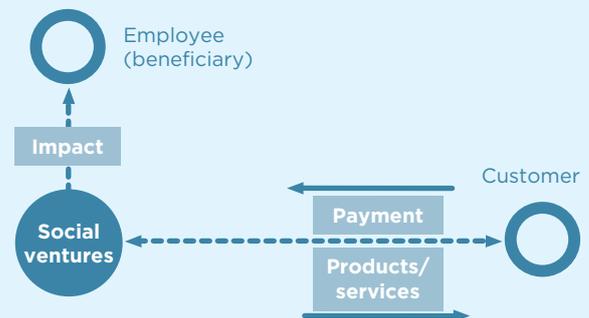
Box 4: Social venture business models and intermediaries that support them

Social ventures often supply services to two parties – those that pay and those that benefit. This raises a range of issues that intermediaries can help to overcome.

A **donations-based** business model is reliant on grants or donations to cover the costs of delivering services to its users.

At its worst, this creates incentives to meet the demands of the customer which can act in tension to the needs of the beneficiary. Where these are conflicting, this reduces the quality of the service offered. In her paper, *The Looking Glass World of Nonprofit Money*, Clara Miller argues that the high costs of securing charitable revenue, high levels of donor compliance, and a low tolerance for the generation of surpluses, means that grant-reliant ventures are sometimes less able to innovate new solutions to social problems, expand their number of users where their services are high-impact, or make plans for long-term systemic social change.²⁶

Intermediaries can help by co-ordinating and aggregating the demands of charitable

Figure 16: Four social venture business models**Donations-based model****Public service provider model****Direct to customer model****Social Firm model**

trusts and foundations' funding patterns. They can create directories of charitable funding opportunities to enhance the information available to ventures and funders about each other, to cut down the costs of marketing and compliance.

A **public service provider** business model is used by organisations that are contracted by the public sector to deliver services to the public.

In many ways, the public service provider and donation-based business models are quite similar to each other, and ventures with both models face similar challenges. However, the culture of public sector commissioning (as opposed to grant-giving) is more tolerant of surpluses and generally unconcerned by the legal form of the contracted organisations – hence the proliferation of profit-making providers of public services. Many in the field of social ventures argue that public sector commissioning processes are bureaucratic, thereby favouring larger organisations with greater capacity to shoulder the burden, and prescriptive – stifling the potential for social ventures to innovate new ways of creating social impact.

Intermediaries can help to educate ventures on the public sector commissioning process and how to win contracts. They can also help to educate commissioners on procuring from the public sector. They can also create bidding platforms to enable smaller ventures to form

consortia to bid for public service contracts without narrowing their profit margins through sub-contracts; and, through advocacy, build demand for a new approach to solving a social problem where a venture's methodology does not fit into existing commissioning guidelines or policy.

A venture with a **direct to customer** business model competes in commercial markets and charges its users for the services it offers. What makes these ventures different from commercial enterprises is that they have an explicit focus on individuals in society whose needs are least well met.

Ventures with the direct service provider business model, more common in developing countries, may struggle to make reasonable profit margins – their customers are often among the poorest in society. In serving them directly, these ventures have strong incentives to provide services their clients need and want,²⁷ but face low profit margins.

Intermediaries can play a role to advertise and champion these services in relevant directories and signposting services – to reach the largest possible number of individuals.

A **Social Firm** is a market-led enterprise set up specifically to create good quality jobs for people disadvantaged in the labour market. A typical organisational type would be a social firm that employs individuals with particular needs (such as ex-homeless people or people with disabilities).

Actively engaging in activities that create real commercial value can be of considerable benefit to a variety of disadvantaged groups. A challenge facing Social Firms and other ventures with this business model is that of competing in the same market as purely commercial firms – social firms tend to generate smaller margins that do not allow significant reinvestment in the business, though they contribute to significant savings in welfare payments.

As with direct service provider ventures, organisations with a Social Firm business model require business support to grow their businesses. Other useful support includes ethical procurement directories that increase social firms' profile and enable large purchasers to make a public commitment to social enterprise.

Case study: How market access helped Pluss to become the largest Social Firm in the UK

Pluss was formed by a group of local authorities in the South West of England after struggling to find a provider that could employ peoples of all abilities in their area.

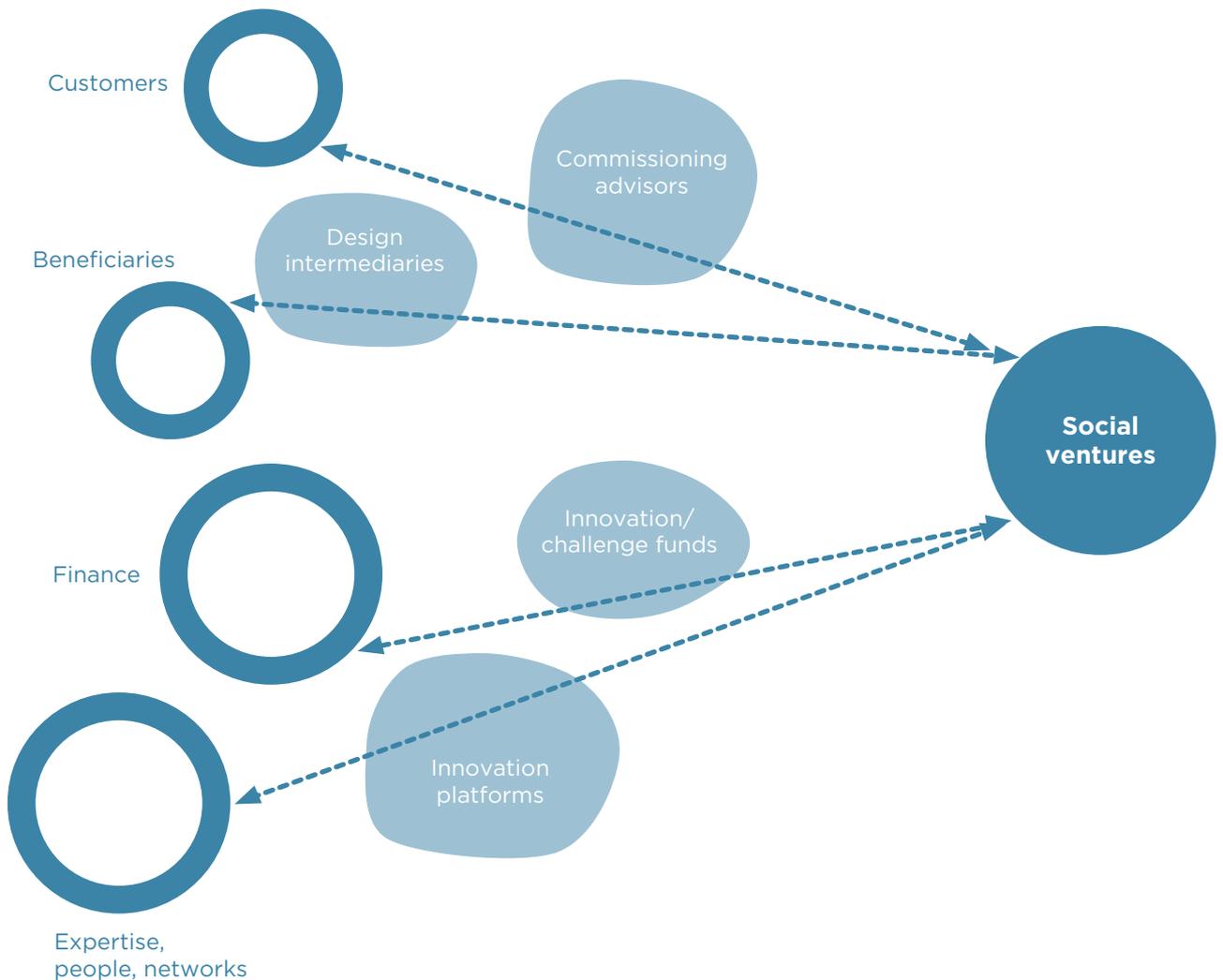
Now it is the largest social firm in Britain, generating revenue of over £20,000,000, employing 261 people with a disability, and supporting 775 disabled people into paid work last year. With clients including local authorities and central government for its employment and training services, Pluss has a diverse customer base. A critical success milestone for them was when they won contracts from customers in different areas of the country, unrelated to the parent organisations. For Pluss, this happened when they were confirmed as prime provider of specialist disability services in the West Yorkshire region – alongside Devon and Cornwall.

Pluss received significant support from Social Firms UK, though no social finance to grow

the venture. Davies cited this support, an excellent team and a strong starting block: a readymade demand for their employees among the local authorities who founded them. Strong market insight through ongoing partnership with local authorities has been a cornerstone of Pluss's growth and impact. In addition, the founding local authorities used Pluss to fill a genuine and demonstrable gap in the market's existing provision - rather than trying to recreate services that were already being offered by private and social sector providers. Pluss has also worked hard to ensure that they are not 100 per cent reliant on public sector contracts, deriving a significant proportion of their revenues from their manufactured products and mobility services - for which there are private as well as public clients.

Given the context of public sector cuts and local authority restructuring, Pluss is a valuable case study for social venture intermediaries looking for pipeline development and investment opportunities. As Davies explains: "There are dozens of local authorities looking at how to change the way their services are delivered. The term 'social enterprise' is sometimes used with little understanding of what it really means. Support organisations could play a more effective role in facilitating solutions for these local authorities." Davies reflected that had Pluss received the kind of support available today when they were starting up, the venture may have been able to establish itself in the market sooner.

4. INNOVATION INTERMEDIARIES



In *Collective Impact*, authors John Kania and Mark Kramer document the elusive nature of reform of the US education system. They write:

“The heroic efforts of countless teachers, administrators, and nonprofits, together with billions of dollars in charitable contributions, may have led to important improvements in individual schools and classrooms, yet system-wide progress has seemed virtually unobtainable.”

A wide range of intermediaries focus on this gap, not just in education but across a range of sectors: those that aim to start with an understanding of the problem they aim to solve, and to create new social ventures to do this. Like the innovation intermediaries of the

technology world, they bring together networks and commercial skills to create effective social ventures from established research and insight.

This type of intermediary works with a wide number of kinds of entry and exit to developing new ventures

Some work with start-up teams like Participle or Shaftesbury Partnership, others with public sector agencies like Think Public, and others work on developing new sustainable ideas from existing charities such as Common Ground.

Some examples of radical innovations that seek to redefine how a service is delivered include Teach First, which redesigned teacher training and placement and persuaded existing teacher funding to support the new model, thus turning

Which are the intermediaries that support innovation

Competitions/prizes

e.g. X Prize

Aiming to foster breakthrough innovations through competition, these give social entrepreneurs an incentive to accelerate their business planning process or their venture's growth.

Design intermediaries

e.g. Think Public, Live:Work,

Taking a design-centred approach to solving social problems is central to the work of these organisations, who shape public services by exploring user journeys and perspectives, they commonly use unusual methods such as visual thinking to develop innovative ways of designing physical spaces and service pathways.

Innovation/challenge funds

e.g. NESTA Big Green Challenge, Age UnLimited

Challenge funds set specific simple goals for applicants - to solve a social or environmental problem, aiming to find innovations.

Innovation platforms

e.g. Social Innovation Camp

Innovation platforms bring together networks of social entrepreneurs and advisers to develop new services and ventures.

Social innovation incubators

e.g. Young Foundation's Learning Launchpad and Health Launchpad

Focusing on post proof-of-concept ventures, these fund provide a broad-based spectrum of both financial and non-financial support to help such disruptively innovative ventures grow.

Social innovation venture labs

e.g. Shaftesbury Partnership, Participle, Young Foundation

Generating innovative business-based solutions to large-scale social problems, such as an ageing population, these organisations attempt to generate change through actively creating and growing and/or diffusing social ventures.

on its head existing orthodoxy on how to train and recruit teachers. Another is the Bromley-by-Bow Centre in East London which, in bringing together nurses, arts, education, housing and a 3-acre park, redefined what a GP practice could look like. Another is Fair Finance, which offers poor borrowers loan finance, building on developing country models of microfinance, now tailored to a Western setting.

These social ventures looked at a social problem, and typically began by aiming to understand how to fix the social problem - and then how to generate a sustainable business model. Many did so without any kind of intermediary - but doing so often requires overcoming significant barriers to entry:

- Customer relationships require an **in-depth or detailed understanding of a certain culture or market intelligence**. For example, where there are a few large purchasers, such as electricity providers, selling to them might require

existing relationships and insider intelligence.

- **Fixed costs are high**. Capital projects and physical infrastructure innovations demand much more resources than, say, lean web-based interventions.
- **Specialist skills, networks and resources are required**. Technical knowledge or specific technologies can make it hard for a group of individuals to create a venture without the backing of a larger, more stable organisation - for example, developing new technologies for a particular illness might require specific expertise and development time.
- **Need for lobbying and advocacy is important**. If there needs to be legislative or policy change to support a venture's growth or if a complex set of skills is needed to build a prototype, the influence of an established organisation may be required.

“If a social entrepreneur is trying something completely new, who can give you advice on how to develop a business like this? The ability to redesign your idea is really important”

Social venture intermediary

Intermediaries in this space sometimes focus too much on need, but not demand. Despite the perceived lack of business skills among social entrepreneurs, ideation processes seem to ignore business model development expertise – developing ideas in reference to social need, but not to customers, costs, prices or revenues. This leaves many high-potential nascent ideas without the foundations of a viable business model.

Additionally, networks into government and policymaking institutions are critical for many

social ventures where a market needs to be built or regulation loosened in order for the venture and its impact to grow. Where understanding and influencing changes to government policy is critical, intermediaries have a pivotal role in brokering relationships with policymakers.

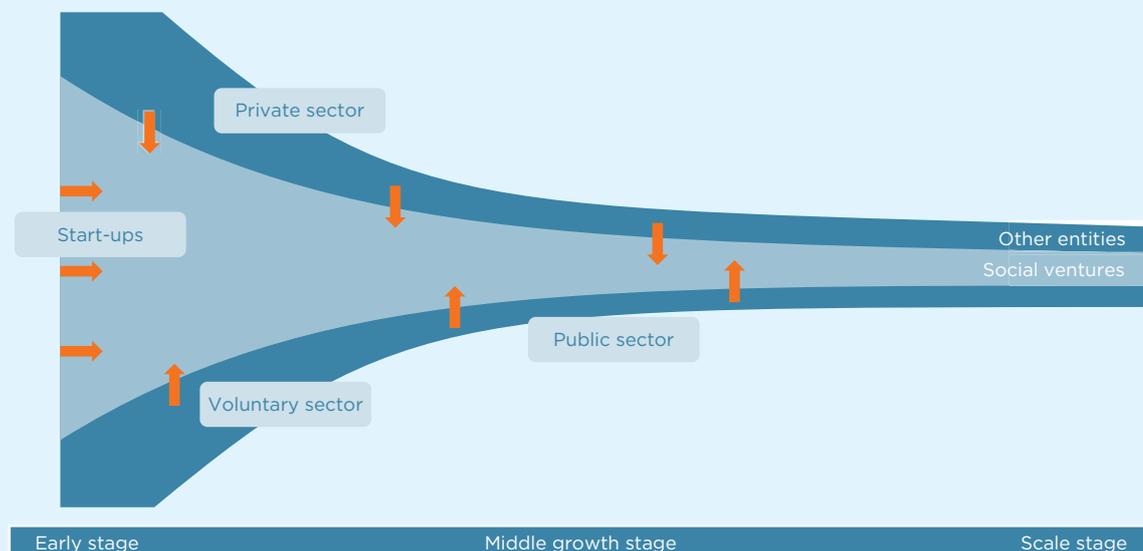
In this context, it is worrying that just under half of the social ventures we surveyed said that they were offered ‘poor’ or ‘very poor’ access to networks to help improve and grow their ventures – a poorer satisfaction rating than any other type of support offered. This is also worrying given that 81 per cent of SVIs surveyed reported that they offered access to networks (the second most common form of support behind 1:1 advice and guidance).

Box 5: Where do the most innovative social ventures come from?

Social ventures often sit in the space between commercial enterprises, public bodies and traditional charities with innovative business models that do not conform to membership criteria of the customary ‘sectors’ of society. While many ventures have been developed by social entrepreneurs who always envisaged creating a social venture, others emerge from other starting points:

Social start-ups are new organisations that aim to grow to become social ventures serving thousands of beneficiaries. Some intermediaries (such as Social Innovation Camp and Think Public) focus on helping innovation for start-ups, including through collaboration platforms and events, aiming to facilitate and improve the process of ideation from which

Figure 17: Entrants into the social venture space include spin-outs from the private, voluntary and public sectors as well as social venture start-ups



new organisations are born. Some we spoke to discussed that many focused more on need than demand, and failed to generate 'whole business propositions' from these early-stage brainstorming sessions.

Public sector spin-outs arise when public sector managers and policymakers 'spin-out' services or whole bodies into the social venture space. Through the 'right to request' programme and other similar initiatives, the previous government and the current government have shown a policy commitment to increasing the amount of public services that are spun out into social ventures. Some intermediaries (such as Innovation Unit) focus on innovation from the public sector. Some we spoke to talked of the need to encourage a culture change from larger organisations to entrepreneurial working conditions, and the need to help think laterally about how to redesign a service in new ways.

Entrepreneurial charities might emerge through a change in management team or board priorities that sees an increase in trading activity or a change in fundraising strategy that enables them to achieve the market sustainability criterion of social ventures. Earned income now makes up over half of charities' income, a trend driven largely by the provision of greater levels of public services under commercial contracts.²⁸ Legal advice and strategy consultancy might be required to help organisations with traditional charity roots make the transition to become more innovative and rethink how to solve the problems they exist to tackle.

Corporate social ventures are increasingly common as corporate social responsibility strategies become more sophisticated. Grameen-Danone is a well-known example of a joint venture created by Grameen, a microfinance institution, and Danone, a commercial food products company, with the objective of supplying nutritious food to poor children of Bangladesh. As in this example, commercial enterprises may often have to partner with organisations that have a deep understanding of the social problems that they are trying to solve. We could not find any social venture intermediaries in the UK that explicitly focus on innovations from venture partnerships with the corporate sector.

Case study: How commissioning helped Patient Opinion to innovate

Patient Opinion is a web-based platform for NHS patients to share their experiences with each other and with hospital managers in order to improve the services provided by the NHS. Access to the platform is free of charge with Trusts, PCTs and other organisations paying Patient Opinion for a range of premium reporting and responding services. These public, structured conversations between patients and staff help NHS managers improve their services. Patient Opinion was founded by Paul Hodgkin, a practising GP who wanted to find a way of bringing the experiences of patients to bear on the design of NHS services.

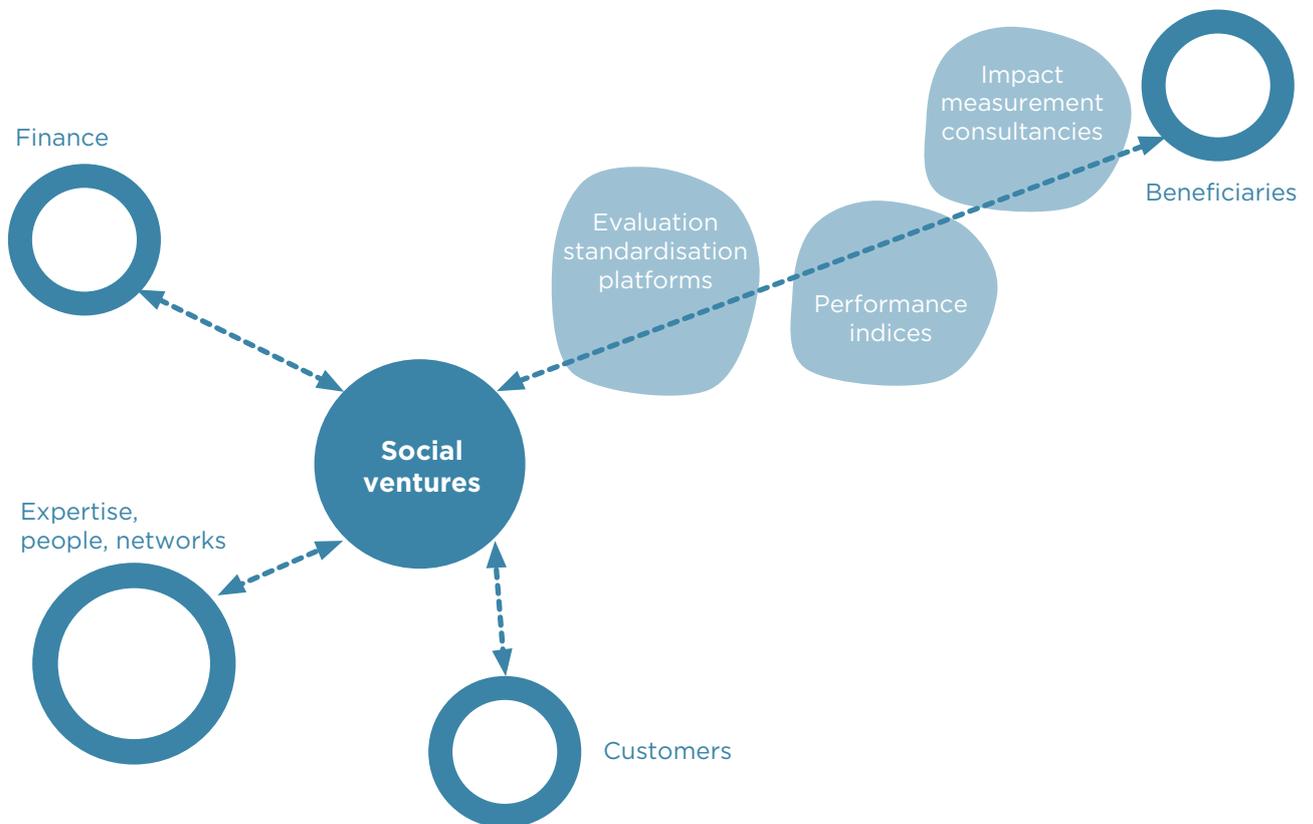
Initially funded by the Department of Health and South Yorkshire Strategic Health Authority in 2005 for a pilot, full roll-out across all English hospitals began in 2006.

Around the time of Patient Opinion's national roll-out, the Department of Health also created NHS Choices, run at an annual cost of £20 million²⁹ between 2007 and 2009, which offered services similar to those offered by Patient Opinion. Hodgkin recalled: *"It was a case of the elephant twitches and - unintentionally - five small organisations die but, as a result of our ability to innovate fast, we survived"*. Patient Opinion had already established a customer base at the time and worked on developing partnerships with independent bodies and specialising in areas such as mental health services, which they were able to do through

a programme funded by NESTA using the same core platform methodology. This has now paid off and Patient Opinion now counts NHS Choices among its clients. In many ways, NHS Choices' creation forced Patient Opinion to focus on creating real value for its customers and innovate further.

Hodgkin feels that government should recognise that *"nimble, innovative and genuinely values-driven social enterprises have a huge amount to give"*. In his view, the public sector needs to consider how it can better include the innovative, often small, players in the market while maintaining some guarantees of the quality of provision to beneficiaries.

5. MONITORS



Though there are several encouraging developments towards a comparable set of data on which to measure social returns, as yet there are no widely-agreed metrics on gauging social returns, or the impact of social ventures. This makes comparison of social ventures' quality and impact difficult, and it makes it hard for customers, beneficiaries, primary investors and employees of ventures to trade off social returns for finance ones authoritatively. This group of intermediaries focuses on making this easier.

Mixing monitoring roles with others – such as investment, innovation and others – creates a tension

Though many intermediaries can and should play a role to help ventures evidence and improve their impact, it is difficult to do this and remain impartial in practice. There is a role for dedicated impact monitors who can evidence impact with impartiality.

“We don’t just need a common approach to measuring our own impact, but also avoid duplicating work each other is doing, signpost to each other, etc. Social venture intermediaries have got to be like the ventures they support. We need to be enterprising and having to prove our value to survive.”

Social venture intermediary

Many existing ventures and intermediaries feel simple, comparable metrics – rather than trying to quantify their monetary benefit – is underdeveloped in the UK

The development of SROI has not created standard metrics within sectors – such as education or health – which might be because there are so few sector-specific intermediaries in the UK. Most intermediaries have limited deep knowledge of specific social problems and are not well-placed to support disruptive innovations, nor do they seek to do so. Social venture

Which are the intermediaries that monitor the impact of social ventures?

Evaluation standardisation platforms

e.g. SROI network, GIIN network, SustainAbility

These networks provide standardised measures of impact over a short-term period to the marketplace to be able to understand effective interventions and what isn't working.

Impact measurement consultancies

e.g. New Philanthropy Capital, nef

These consultancies provide training,

guidelines and procedures for calculating and demonstrating organisational social and environmental impact.

Performance indices

e.g. SE100

These initiatives act to quantify the performance of social ventures in terms of growth and social impact, enabling investors, commissioners and beneficiaries to compare ventures.

Table 2. Many social venture intermediaries are generalists

Sector	Sample sector-specialist SVIs	Sample cross-sector SVIs
Community, housing and transport	Sample sector-specialist SVIs	Sample cross-sector SVIs
Disability	DTA	Big Issue Invest Big Lottery Fund Bridges
Education and young people	Social Firms UK	CAF Venturesome CAN Breakthrough ClearlySo Eastside Ventures
Employment and training	Innovation Unit Private Equity Foundation	Esmée Fairbairn Foundation Impetus
Environment	NESTA Big Green Challenge	London Rebuilding Society Red Ochre
Health and social care	Health Launchpad Innovation Unit	School for Social Entrepreneurs Shaftesbury Partnership Social Finance Social Enterprise Regional Bodies Social Innovation Camp Social Investment Business Think Public Triodos UnLtd
Leisure, sports, arts and culture		

intermediaries rate their own understanding of social problems the lowest of five relevant attributes, and they are least likely to consider this attribute as a primary benefit of an intermediary's work. This inhibits their capacity to understand the complex social problems that the ventures they work with are trying to solve.

While a grand impact measurement methodology for all sectors might be some way off, there are clearly quicker wins to be gained by developing clear, cheap standards for gathering and measuring impact within sectors such as education or healthcare. This would also create a cost benefit for many ventures – if different intermediaries have very different reporting requirements which also add to social ventures' cost bases.

PART 2: WHERE NEXT FOR INTERMEDIARIES?

Social venture intermediaries provide a vital function. Hopefully in ten years the market will be a quantum larger."

Social venture

There is evidence to suggest that the market for intermediaries needs to become more competitive and more accountable. For example, the top ten providers of social finance are responsible for 96 per cent of social investments made last year. Among them are Charity Bank, the Social Investment Business and CAF Venturesome.

In an industry dominated by a few large players, business models play a vital role in aligning incentives to the success of social ventures themselves.

The public sector origins of social finance gave

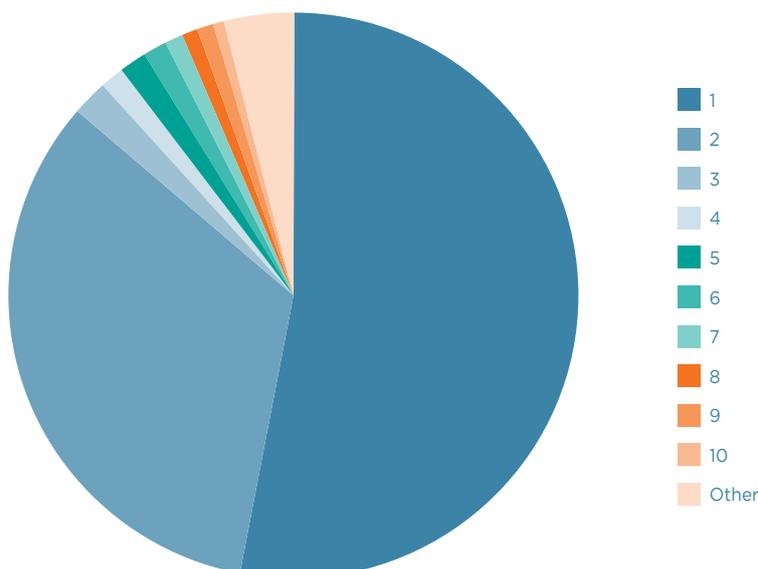
rise to strong feelings among the intermediaries we interviewed. Many felt that government had played a role in stifling early markets (particularly Futurebuilders' perceived sub-market rate loans).

"The government should create an enabling and supportive environment that follows rather than leads."

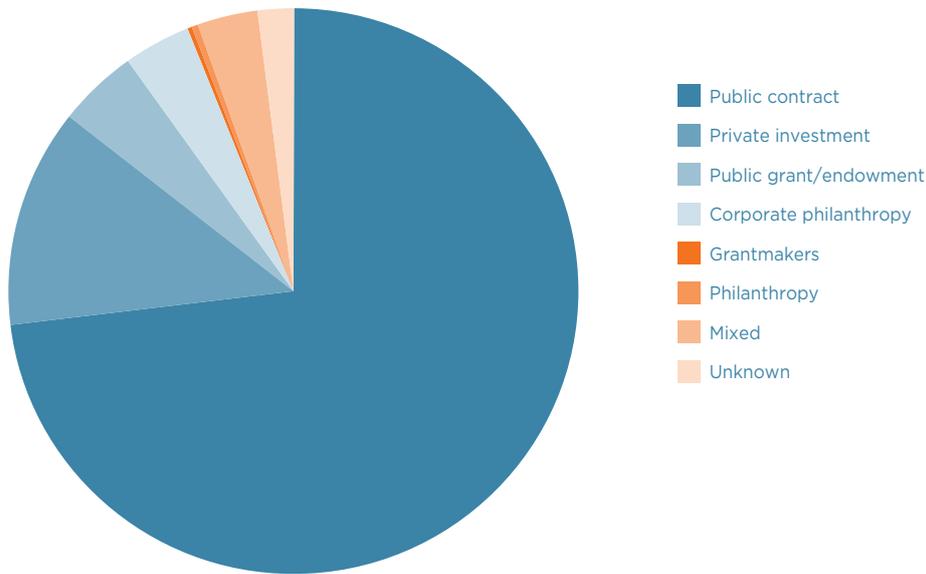
Social venture intermediary

Just like ventures with public service delivery business models, many of those we spoke to felt that intermediary organisations with significant public funding didn't have the rigour that those that compete in the 'private' market for social finance and support do. Many also felt that public sector funding stifled intermediaries' capacity to innovate or take risks.

Figure 18: The top ten social investors account for over 96 per cent of social finance provision



Source: Social venture intermediary survey, The Young Foundation (2010); verbal reports from other SVIs

Figure 19: The majority of social finance has public sector origins

Source: Social venture intermediary survey, The Young Foundation (2010); verbal reports from other SVIs

However, over-commercialising the field too early could, inadvertently, incentivise ventures to minimise the social value they create and scare off potential investors while social investment is still in an experimental stage.

“If we try to leverage in too much commercial finance into the Big Society Bank too early, we will destroy the market. Much more market development needs to be done.”

Social venture intermediary

But others spoke of the need to consider cases in which specialist intermediaries might be avoided – by legal or regulatory changes, changes in purchasing behaviour, and changes to the kind of talent coming into the sector, rather than by setting up new organisations that need to be held to account.

An alternative to intermediaries could be the creation of markets specifically designed to deliver social outcomes. These markets could function through purpose-made mechanisms like currencies, or through something as simple as social subsidies.

Based on our research, we have set out emerging areas for work, for both intermediaries and those that fund them.

1. For government and other investors in intermediaries

Intermediaries are of course only one player in the ecosystem of stakeholders that surrounds individual ventures. Government has multiple roles: as investor, it funds intermediaries to support ventures; as policymaker, it regulates the environment in which intermediaries and ventures exist; and as customer, it provides opportunities for social ventures to reach thousands of beneficiaries.

We recommend to government, and other investors in intermediaries, the design of the Big Society Bank needs to be carefully thought through, with an allocation of resources that is aimed at plugging clear finance gaps – significant early-stage finance, including:

- **Investment** in very early-stage but potentially high-impact innovations to ensure a pipeline for later-stage investors, using stage-gate investment models. This may need to include grants or an acceptance that it may not generate a net positive financial return in and of itself.
- **Enabling** intermediaries to provide capital, rather than revenue financing, alongside an

effective mix of finance, skills, networks and other kinds of support.

- (And aligned to that) **setting** specific social challenges for the sector to aim to tackle, mobilising capacity from a range of sources to address issues such as drugs treatment, recidivism or reducing hospital readmissions.

In other words, the creation of the Big Society Bank is an opportunity to design a genuinely innovative 21st century financing institution, and to mitigate the limitations of existing banks.

The challenge for government is to align its many roles: as customer, policymaker and regulator as well as investor, when considering how best to support the growth of a vibrant and effective social venture field. A key issue will be the evolution of commissioning and public purchasing to make it easier for social ventures to provide public services and value, and then to scale when they can demonstrate effectiveness. A more coherent industrial policy for the sector, bringing together policies on public sector reform, economic growth, civil society and investment, is now overdue.

(a) Design the Big Society Bank with clear social metrics and at clear finance gaps

Many we spoke to testified to the need for a cultural shift in the sector, from executives who focus all their energy on raising finance, to raising finance for specific developments in the business and concentrating more time on the day-to-day growth of their business. This culture is currently being exacerbated by too little funding that can realistically meet the start-up demands of an ambitious venture. There are over 1,500 annual opportunities to raise £5,000, but very few opportunities to get between £50,000 and £150,000 – and this is shaped in part by the difficulties intermediaries face in raising finance.

The Big Society Bank provides a significant opportunity to encourage intermediaries to target the likely early-stage financing needs of many businesses – around £50,000 to £150,000. The Bank should enable intermediaries to provide capital, rather than revenue financing, alongside an effective mix of finance, skills, networks and other kinds of support, and aligned to this.

Example

Echoing Green is an early-stage social investor that runs a two-year fellowship programme, providing emerging social entrepreneurs with significant seed capital and strategic support. Echoing Green covers successful fellows with

living costs for two years and gives them access to a professional development stipend, training and access to pro-bono partnerships, and the 500-strong Echoing Green alumni network. Founded on the belief that more risk-taking is required to drive true social change, Echoing Green's purpose is to be the first money to help the most promising social enterprises (only 1-2 per cent of applicants are selected) get started while also recognising that networks and advisory support play a crucial role.

The Big Society Bank should also be rigorous in assessing the quality of the intermediaries' capacity to assess both the capacity and the impact of the social venture. Typically, this will require evidence that intermediaries understand social issues well, and have experience at working in a growth business.

The Bank must also provide a counterweight towards some risks of too much commercial finance coming into the sector. We caution against hyping the commercial prospects of social ventures. It is far from clear that the market is ready now for highly commercial ventures. We can focus on building the pipeline now – through investing in the marketplace, in monitoring, and through investing in people, networks and expertise – rather than exhausting the energy of potential investors. There is some evidence that there is little demand for this kind of finance (see the closure of Triodos' social entrepreneurs' fund).

Cautionary tale

SKS, the largest microfinance institution in India, serves nearly seven million clients. In 2007, SKS raised over \$350 million through an IPO – many millions more than forecast. Commentators, such as Xavier Reille of independent microfinance research centre, CGAP, have speculated that the relative success of the IPO may be at the expense of long-term company sustainability and, critically, the interests of the individual poor Indian women who use SKS's services. Likewise, Muhammad Yunus has publicly criticised the IPO, claiming that it will create a strong profit-maximising incentive and SKS's mission will drift from serving the poor.

With scarce resources, the government could focus its resources on specific social problems – creating markets through specific subsidies and building markets through issue-specific challenge funds.

In the short term, specific challenges in key areas

such as youth unemployment, obesity and ageing – with specific outcome metrics in each area – will build the supply of ventures in key areas of priority. In the long term, intermediaries should work together towards adopting common metrics for measuring impact across organisations, as a way to encourage quality and social innovation.

Example

Race to the Top is a \$4.35 billion US Department of Education programme for reform across the whole compulsory education system. Run as a competition between states, they accumulate points on the basis of their adherence to a set of criteria such as building great teachers and leaders, turning around the lowest-achieving schools, and using data systems effectively. Forty-eight states moved to adopt common federal standards for education. Tennessee and Delaware were named as the only winners of the first round of the Race to the Top (out of 40 applicant states and 15 finalists). Despite controversy, the Race to the Top programme shows that a specific challenge and high stakes can provide a strong impetus to drive innovation.

(b) Encourage the banks and their regulators to take social investment and social venture intermediaries more seriously

There is significant scope for the major banks to engage more seriously with this field. Despite positive rhetoric, UK banks are doing significantly less in this field than equivalents in some other countries such as Spain (e.g. Bilbao Bizkaia Kutxa) and Italy (e.g. Banca Prossima and Banca Etica) and risk missing out on the growth of a sector in which they could be major players.³⁰ There is also a critical role to be played by financial regulators – in particular the Bank of England – in encouraging the banks and others to include a strand of social investment as part of prudent portfolio management. Current investment policies mean that the social sector is substantially under-represented.

(c) Ask corporates to direct their social responsibility efforts to the creation of new social ventures

Corporates can be encouraged to play a greater role in understanding and solving specific social problems. The focus should be on effective early-stage design that can convert the best of private sector expertise into what works to solve social problems as part of ambitious social ventures. In many areas, long-standing research on effective

interventions isn't translating into solutions that can scale, and the networks, people and expertise the private sector can offer can do much to turbo-charge these kinds of venture.

Given the critical role of expertise, people and networks, this could be achieved by building on the example of McKinsey in developing Teach First, and tasking corporates to create ventures by working with social entrepreneurs. Given the importance of networks, expertise and people, we should look to sectors where these are already found. The public, private and voluntary sectors are potentially abundant sources of new ventures – and more intermediaries could pair with sponsors to realise real change.

Example

Grameen Danone is a joint venture between the Bangladeshi microfinance institution, Grameen Bank, and the food products multinational, Danone. Run on a 'no loss, no dividend' basis as per Grameen founder Muhammad Yunus' definition of a social business, Grameen Danone produces food products for malnourished children in rural Bangladesh. For Danone, the venture offers a chance to engage in corporate social responsibility activity that is self-sustaining and more sophisticated than traditional CSR. For Grameen, the chance to tap Danone's existing distribution channels and extensive food production expertise enables them to reach thousands of Bangladeshi children and reduce malnourishment.

(d) Ask charitable foundations to take more risks with managing their money and to take up their crucial role

While both commercial finance and public money have risks unless targeted in the right way, there will be an enduring role for philanthropy, which must be a driving force behind the sector. Some £13.1 billion in individual donations and £3.5 billion in charitable donations is released each year in the UK, much of it as revenue rather than as capital. Even 1 per cent of this would almost double the investment going into social ventures who might use philanthropic grant funding to finance growth, so that they are able to then sustain themselves on traded revenues from paying customers. The UK could adopt a model to encourage existing charitable funding into helping the sector to mature, including the US target of 5 per cent mission-related investment for charitable foundations. This could help a huge amount of money to come into the sector.

(e) Push the sector towards rigorous, comparable impact monitoring

Financial reporting in the UK has a long history of audit, or verification, dating back to the introduction of company registration in 1844³¹ following the Second Industrial Revolution in Europe,³² and becoming further refined and sophisticated during the Great Depression in the 1930s. The regulation of financial verification over the decades has created a multi-billion pound industry, predominantly populated by the Big Four accountancy firms, as well as accountability to the general public punishable by law.

In the interest of social investors, reported outcomes of social and environmental impact by social ventures should face similar rigour and be duly verified alongside organisational accounts. The challenge lies in the standardisation of impact reporting practice, still in its infancy as compared to its financial counterpart. Reported outcomes should nevertheless be independently verified and assured to prevent misrepresentation of impact. A second challenge is the considerable cost to ventures in verifying their claims; a cost that may seem peripheral to SVIs but serves to validate their own ultimate claims to social impact.

Example

In 1993, Simon Zadek joined the new economics foundation (nef) as Research Director, and later deputy director, instigating practical dialogue with the private sector for the first time. During his time there, he began looking at measuring the 'social and ethical successes' of companies and published jointly with Traidcraft the first statement of background, history and methodology of social auditing.³³ At present, social auditing has become a huge industry mostly in terms of measuring the success and impact of for-profit companies' corporate responsibility programmes.

(f) Be a good customer for social ventures via commissioning rules

Public sector commissioning has been reformed in recent years and the current government is pushing market liberalisation even further as well as making procurement more accessible by small to medium-sized enterprises of all kinds. This will help build the field of social venture intermediaries but there is still some way to go to ensure that the ventures that are best placed to deliver social impact win contracts. We suggest that alongside activity on the supply side (bidding platforms, better provision of social finance and capacity building), the public sector can also influence ventures success on the demand

side by reducing the bureaucracy of tendering processes, creating space for commissioning of explicitly innovative ventures, encouraging ethical procurement (e.g. incentives for local authorities to purchase cleaning or maintenance services from social firms) and supporting intermediaries that work with both commissioners and ventures. While progress has been made through outcomes-based commissioning, more could be done to ensure that public sector commissioning is less prescriptive – focusing on impact rather than specific inputs or outputs.

The challenge for government is to align its many roles: as customer, policymaker and regulator as well as investor, when considering how best to support the growth of a vibrant and effective social venture field. A key issue will be the evolution of commissioning and public purchasing to make it easier for social ventures to provide public services and value, and then to scale when they can demonstrate effectiveness. A more coherent industrial policy for the sector, bringing together policies on public sector reform, economic growth, civil society and investment, is now overdue.

In the regulatory space, the government can create enabling incentives for individuals and private organisations to play a greater role – tax relief for social investment deals and gift aid for CICs were two ideas mentioned to us during our research.

2. For intermediaries

(a) Adopt a charter of five common standards by which intermediaries hold themselves to account

The increasing scrutiny of social ventures creates greater pressure for the sector to develop its own measures by which to hold itself to account. Almost every intermediary we spoke to stressed the need for stronger joint working – creating common data standards for impact, for the internal health of a venture, common asset classes, etc. – which can facilitate a stronger support network for the field.

Tempered with the need to retain a competitive and innovative market for support, we propose a set of standards for social venture intermediaries:

- **Put social ventures first**

SVIs should commit to understanding the genuine needs of social ventures and be able to evidence this demand before providing services – especially where these services are

publicly funded. SVIs should also commit to helping ventures be self-reliant where possible and able to operate in the long term without intensive support from SVIs.

- **Champion effective social impact measurement**

SVIs should commit to improve the quality of social ventures, on the basis of the three tests of a social venture – social impact, scale and sustainability – along with any others that the SVI might see as central to their own social mission. While common impact standards might take time and effort, two relatively easy wins exist for the UK’s social ventures. The first is to adopt Global Impact Investing Network standards for standardising impact. Another is to set itself a series of social challenges: for example to tackle youth unemployment, obesity, re-offending, social isolation and health.

Example

The Global Impact Investing Network (GIIN) is a not-for-profit organisation dedicated to increasing the effectiveness of impact investing among many intermediaries around the world. GIIN has developed the Impact Reporting and Investment Standards (IRIS) as a common framework in reporting on social and environmental performance. By using common language and metrics across multiple organisations, factors other than financial performance become comparable, thus forcing organisations to remain competitive and strive for greater positive social and environmental impact.

- **Commit to transparency**

SVIs should commit to being accountable for the value they add to social ventures. In order to maintain accountability on financial investments, they should also publish data on the number, size, type and success of investments. Getting accurate data on the number of investments is difficult. While this information is to some extent commercially sensitive, a commitment to transparency would make SVIs more accountable to the social ventures they serve. The field should work to agree data standards over time.

Example

The British Banking Association collects and publishes monthly statistics from high street banks on borrowing, credit and deposits for individual customers, SMEs and larger businesses. Banks submit data to the BBA who publish data on, for example, the total

amount loaned and the number of loans made to small businesses in Britain.

- **Work together**

Increasingly, intermediaries will need to rely on each other for funding. Those that fund in the early stages of a venture’s progress need to be able to benefit financially (if not profitably) through its progression to more investment and funding. Because of a lack of equity models, where one investor may sell their share and realise its growing value, intermediaries need to agree to respect reasonable financial agreements with other SVIs if they are to help realise a functioning marketplace for support and finance.

Example

UnLtd Advantage is an investment readiness programme that aims to connect leaders of growing social ventures with investors. It does this through preparing social ventures for investment and seeking social financiers who best fit the needs of their client organisations. Ventures who will have often received start-up support (UnLtd Level 2 or others) are able to tap into UnLtd Connect’s pool of pro-bono mentors and receive support to develop a robust growth strategy, build relationships with investors and structure a viable investment proposal. Through the use of a success fee revenue model, UnLtd is pioneering a sustainable way of connecting start-up investors and their investees with larger-scale social finance providers.

As a field, we should aim to share monitoring tools and methods, such as a business plan format, over time.

Example

Sequoia Capital is a leading Silicon Valley venture capital firm that has funded firms such as Apple, Google and YouTube that together represent 14 per cent of the NASDAQ’s value.³⁴ Entrepreneurs with a new business idea are encouraged to read their guides to *Elements of Sustainable Companies* and *Writing a Business Plan*. *Elements of Sustainable Companies* includes guidance such as focusing on “Pain Killers: Pick the one thing that is of burning importance to the customer then delight them with a compelling solution.” Specifying the format (15-20 slides) and offering guidance on presentation (“We like business plans that present a lot of information in as few words as possible”), Sequoia outlines ten sections, including market size, business model and specific

direction on which financials to include, which are commonly well-received among other VCs.

- **Effective use of limited resources through working with others where possible**

As social ventures go through lower risk periods, with nothing but a time lag between receiving payments and delivering their services, they become strong prospects for mainstream banks. Social venture intermediaries can do more to integrate them with the existing support on offer to any other kind of venture: within the finance system, helping them to make the case to mainstream banks, working with mainstream banks, and acting as an exemplar to de-risk the process for banks; and within support, helping them to access mainstream entrepreneur networks and advice that can help them grow.

SVIs should also procure more from social ventures and encourage the ventures they work with to do the same. Likewise, they should encourage social ventures to work together through bidding platforms to strengthen their chances of gaining sales.

(b) Focus on the next generation of social entrepreneurs – and other management roles in the sector

Much of the current generation of social entrepreneurs are lacking in basic business skills. Now, intermediaries need to focus on training the next generation of social entrepreneurs – bright, talented and ambitious young people who can learn to develop a basic business proposition and a clear understanding of a social need. One way to do this would be by the creation of more venture competitions and business plan platforms aimed at our most talented young people, to grow a new generation of leaders.

Additionally, intermediaries should be looking to find the best talent for growing ventures to take on to drive their organisation's growth. Strategy, organisational development and technological experts are essential to the growth of any venture, and intermediaries should be looking for new ways to bring in a high-calibre of people into the social venture sphere.

Example

On Purpose is a leadership development programme that helps top individuals transition from the commercial world into the social enterprise sector at an early stage in their career. This programme, currently in its pilot phase, has placed five individuals into purpose-driven organisations and has

plans to place up to 15 in its second year and 60 in several years' time. Identifying talent as a major gap in the sector, Tom Rippin, (previously of McKinsey & Company, Comic Relief and (RED)), founded this charity and now works together with Sarah Coyne (previously of Marks & Spencer, Kraft Foods and Comic Relief). On Purpose is unique in its approach to building human capital in the sector both by training and by work placements.

(c) Develop a greater understanding and responsibility towards the social problems we aim to solve

If the role of social venture intermediaries is to turbo-charge the growth of social ventures, it is important that they are able to understand the extent of the impact that they create – and support ventures to improve this impact. This could take the form of more social specialists (academics, teachers, clinicians, social workers, etc.) working for intermediaries as well as tools to interpret, critique and build a theory of change that is founded on a sound problem analysis that recognises the complexity of social problems.

Example

Stanford Institute of Design is a graduate program aimed at entrepreneurial design for extreme affordability for multi-disciplinary teams of students. Bringing together engineers and designers, teams create product prototypes, distribution systems and business plans for entrepreneurial ventures in developing countries. Many of the products have gone on to be launched as successful social ventures by the students, including the solar powered d-light, which went on to win investment from the Acumen Fund and was selected as global clean tech 100 winner in 2009 and 2010, and Embrace a neonatal incubator, which won an Echoing Green Fellowship award.

(d) Develop better support in the missing middle transitional growth phase

Growing social ventures need support from experienced social entrepreneurs who have managed organisations through a growth phase (for argument's sake, to deliver a service to over 1,000 beneficiaries). This new generation of social venture support professionals should have connections to the best practical support – in IT, HR, financial management, etc. – in order to give social ventures the best chance of scaling up.

Moreover, social venture intermediaries should link growth stage social entrepreneurs to existing

commercial entrepreneur support groups and networks, where much of this practical support can be sourced.

Example

McKinsey & Company initially developed the Organisational Capacity Assessment Tool (OCAT) for Venture Philanthropy Partners, a US-based philanthropic investor, to better understand its grantees. OCAT is available for use to anyone and has been adopted or adapted by leading intermediaries and academics as diverse as the Harvard Business School, Acumen Fund and the United Nations Development Programme. The tool allows intermediaries to understand the capacity of their investments, identify areas that need improvement and, in very broad terms, understand and track changes in their capacity over time. While typically used by investee organisations as a tool for self-assessment, OCAT also offers intermediaries a framework on the basis of which assessments of social ventures can be made.

APPENDIX A: TYPOLOGY

To see the field of social ventures grow, it will be critical to realise the importance of other organisations that play a key role. Many other organisations that are not necessarily social venture intermediaries support social ventures in a variety of ways. These organisations may sit in a space adjacent to, or overlapping with, that of social venturing (such as the voluntary sector, social research, design or consultancy) but still play some part in the development of social ventures through providing finance, specific expertise or professional networks.

1. Intermediaries that provide expertise, people and networks

Best practice sharing platforms

e.g. DTA, Cooperatives UK, Social Firms UK

Description	These organisations often take the form of membership bodies, giving community enterprises a voice, a support network and access to guidance relating to the common challenges they face. Case studies of successful community enterprises can inspire new communities to take on innovative models. Increasingly, intermediaries such as these are making their guidance open-source and user-generated.
Design	These organisations are sometimes funded by membership fees and sometimes funded by central government. Support is often only offered to those organisations that identify with a particular organisational form (e.g. Development Trust or Cooperative) and/or that are members.
Stage	Catering to all social ventures but tend to be focused on community enterprises due to their focus on 'scaling out' not 'scaling up'.

Community developers

e.g. Energy4All, Community Renewable Energy

Description	These organisations work with communities that want to develop local profit-making social or environmental enterprises through asset purchase, requiring investment. Bringing specialist knowledge, often in renewable energy, community developers support local groups to purchase an asset and convert it into a community resource that generates financial, social and/or environmental returns.
Design	The costs of the support offered are built into the overall community investment.
Stage	Early-stage community ventures.

Design intermediaries

e.g. Think Public, Live:Work, Young Foundation

Description Taking a design-centred approach to solving social problems is central to the work of these organisations. Shaping public service design by exploring user journeys and perspectives, they commonly use unusual methods such as visual thinking to develop innovative ways of designing physical spaces and service pathways. Applying both atypical and traditional design principles, these organisations translate established service delivery into a more user-focused approach.

Design Funding from fee-based private services provided to social ventures. No explicit quality control function.

Stage Often at the ideation stage and with early-stage ventures.

Innovation platforms

e.g. Social Innovation Camp, Innovation Unit's Innovation Exchange

Description These platforms bring together different stakeholders to develop new services and ventures, find synergies between sectors and forge new partnerships – often with a social innovation objective.

Design Can be funded by participant fees or government grants. Participants may be consciously selected for their skills, insights or networks – while those that charge participants have no quality control mechanism.

Stage Ideation stage.

Innovation/challenge funds

e.g. NESTA's Big Green Challenge

Description Challenge funds set specific simple goals for applicants – to solve a social or environmental problem. The outcomes are clear and measurable with tight timelines to generate urgency and momentum. Often, ongoing support and development throughout the application process results in the creation of new ventures with appropriate implementation plans. Usually the funds generate publicity and legitimacy for the winners as well as for the issues at hand and the funds themselves.

Design Funding from public or private sources.

Stage Fostering ideas, early-stage.

Investor readiness providers

e.g. UnLtd Advantage

Description Without a fund itself, UnLtd Advantage provides specific focus on social finance, with a fee-based service to allow high-growth potential social ventures to attract all forms of finance. Tending to assume that the venture has worked out an effective social design, engagement usually involves preparing the venture for equity, or equity-like investment.

Design Funding from taking a proportion of fees from investment deals or from fees.

Stage Post market-stage ventures that have established market viability and are looking to scale.

Leadership accelerators

e.g. Ashoka, On Purpose, Clore Social Leadership Programme

Description	Focused on individuals rather than ventures, leadership accelerators develop personal leadership capacity through a combination of attracting top talent and providing them with support such as comprehensive training programmes and extensive networks. Their objective is to increase the skills, knowledge and experience in the sector, as well as recognise achievement in social innovation, in order to advance the social venture movement from the inside out.
Design	Funded via grants and philanthropy. Quality control via selection process looking at the individual.
Stage	Largely relatively early-stage social entrepreneurs although capacity building leaders at varying levels.

Physical incubators

e.g. The Hub, CAN Mezzanine

Description	Through the provision of physical resources, primarily serviced accommodation, and business services, these organisations recognise the advantages in bringing together social ventures and social entrepreneurs into a common collaborative space. Focusing solely on social ventures, short-term tenancies and integrated back office functions such as reception services allow smaller ventures to benefit from economies of scale.
Design	Most of the companies in this space operate under sustainable models of social enterprise themselves.
Stage	Catering to all social ventures, clients tend to be smaller ventures in varied stages of growth.

Pro-bono networks

e.g. UnLtd Connect, BITC Social Enterprise Mentoring Scheme

Description	Pro-bono networks are populated by professionals, most often from the private sector, who want to offer support to aspiring social entrepreneurs and ventures. Either as a facilitated match-making process or as more of an informal platform, these programmes bring together social entrepreneurs looking for support and experts willing to provide it.
Design	Access to these networks may be a service offered as part of a wider package of finance and business support (such as in the case of UnLtd Connect) or as a stand-alone service.
Stage	All stages.

Social entrepreneurship schools

e.g. School for Social Entrepreneurs, Saïd Business School

Description	These schools intensively train aspiring social entrepreneurs in the skills they need to be successful. Whether academic courses or professional training programmes, these schools tend to engage practising social entrepreneurs, social investors and business support professionals to keep their courses relevant and engaging.
Design	Funded by fees from students. Selection criteria vary between school but may require high academic achievement or a commitment to social change and/or entrepreneurship.
Stage	Often at the ideation stage and with early-stage ventures.

Social innovation venture labs

e.g. Shaftesbury Partnership, Participle, Young Foundation

Description	Generating innovative business-based solutions to large-scale social problems, such as an ageing population, these organisations attempt to generate sustainable systemic change through the creation and diffusion of social ventures. Incubating them from idea through to spin-out as a social venture, these organisations leverage their considerable networks, expertise and insight to enable social ventures to have an accelerated start on their growth trajectory.
Design	Ventures are sometimes ideas generated internally or, alternatively, led by external social entrepreneurs.
Stage	Ventures often 'spin-out' from the host organisation as they graduate from the start-up stage

Social venture capital funds

e.g. Big Issue Invest, Bridges Ventures, UnLtd Level 2, Health Launchpad

Description	Providing patient capital in the form of equity and quasi-equity, these organisations believe in the early investment of resources to help scale up or grow potential businesses. These investments are inherently long-term and high-risk, however have the potential to deliver higher financial returns than other types of social finance.
Design	Philanthropic or private investment from charitable trusts and foundations, as well as private individuals and institutional investors. Quality control via due diligence process that focuses on the market opportunity and management team rather than the social impact.
Stage	Primarily to organisations with enough evidence of market opportunity to pass the market test and to scale.

Social venture networks

e.g. The London Social Enterprise Network, Ogunte

Description	These networks provide a space for social entrepreneurs to meet, share ideas and offer and receive support. Social venture networks can be formal and attached to leading institutions or more informal self-organised groups.
Design	Social venture networks are often run at no cost.
Stage	All stages.

Specialist social enterprise consultancies

e.g. Eastside Consulting

Description	Offering much the same services as an investment readiness provider, these organisations charge ventures for management consultancy services. The key difference is that the consultancy doesn't actively select and 'invest in' ventures, but rather provides services to those that are willing to pay.
Design	Funding from fee-based private services provided to social ventures. No explicit quality control function.
Stage	Likely to be later-stage ventures that can afford consultancy services.

Support brokers*e.g. SETAS, UnLtd World, Social Firms UK*

Description	Support brokers provide social entrepreneurs with a means to select the support that is appropriate to their stage of growth through publishing directories of support, sometimes user-rated.
Design	This may be a service offered as part of a wider package of finance and business support (such as in the case of UnLtd World) or as a stand-alone service.
Stage	All stages.

Venture philanthropy funds*e.g. Private Equity Foundation, Impetus Trust*

Description	Venture philanthropy funds invest through providing bespoke money, expertise, advice and guidance on a strategic basis after a comprehensive and detailed due diligence process, modelled on that of private equity in the private sector. This encompasses dealing with, supporting and building up an organisation in its entirety; effectively building capacity in the organisation to deliver its services or products more effectively. Typically the investments are longer-term, and the houses maintain close, active relationships with the investee CEO and wider team. These organisations mobilise expertise from the private sector in the areas of agreed focus – central to achieving the long-term goals.
Design	Funding usually is raised for funds from a range of philanthropic and private sources. Quality control is usually highly rigorous with a thorough and expensive due diligence process.
Stage	Typically medium-sized investees, with ample room for change and growth, looking to scale.

2. Intermediaries that provide finance**Community developers***e.g. Energy4All, Community Renewable Energy*

Description	These organisations work with communities that want to develop local profit-making social or environmental enterprises through asset purchase, requiring investment. Bringing specialist knowledge, often in renewable energy, community developers support local groups to purchase an asset and convert it into a community resource that generates financial, social and/or environmental returns.
Design	The costs of the support offered are built into the overall community investment.
Stage	Early-stage community ventures

Community share issue brokers

e.g. DTA, Baker Brown Associates

Description	Promoting community ownership as a way to finance community enterprise, these organisations work with communities to structure and facilitate a community share issue. This support might take the form of online case studies, legal templates, and specialist legal and business advice.
Design	These organisations and programmes facilitate a community investment process and are often government-funded.
Stage	Early-stage community enterprises.

Crowd-sourcing platforms

e.g. Buzzbank

Description	These online marketplaces facilitate many small-scale givers to invest in social ventures, enabling social ventures to ‘crowd-source’ the investment they need.
Design	They can require some screening process, but often will simply enable social ventures to publish their own profiles and funding requirements, and then advertise them to potential investors.
Stage	These platforms can support a variety of ventures of different stages and needs.

Grantmakers

e.g. Esmée Fairbairn Main Fund, Big Lottery Fund, Tudor Trust

Description	These provide grants for all social purpose organisations not just social enterprises, often on a project-by-project basis, rather than the whole venture approach of the social venture intermediaries. They select on the basis of various compliance criteria, tend to be focused on specific outcomes, and may tend towards those who have more of an established track-record. Unlike other grant-funders, ‘social enterprise friendly’ grant-makers fund legal entities other than charities.
Design	Quality control is done generally via grant applications processes that look at the venture and its social outcomes.
Stage	Most often these organisations support relatively developed ventures that are in the growth phase, with proven assets, such as property, or orderbooks. They will tend not to support risky start-ups although there are exceptions (e.g. Tudor Trust).

Innovation/challenge funds

e.g. NESTA's Big Green Challenge

Description	Challenge funds set specific simple goals for applicants – to solve a social or environmental problem. The outcomes are clear and measurable with tight timelines to generate urgency and momentum. Often, ongoing support and development throughout the application process results in the creation of new ventures with appropriate implementation plans. Usually the funds generate publicity and legitimacy for the winners as well as for the issues at hand and the funds themselves.
Design	Funding from public or private sources.
Stage	Fostering ideas, early-stage.

Micro-funding*e.g. UnLtd Level 1*

Description	These organisations provide small grants to very early-stage projects. The premise of the model is to invest small amounts of money to test-tube ideas of social change. By providing this stimulus, these organisations spur the creativity of the grantees in designing and developing future social ventures.
Design	Funding from philanthropic or public endowments. Quality control via online application processes.
Stage	Nascent ventures and entrepreneurs, prototyping.

Philanthropic networks*e.g. Funding Network*

Description	These physical marketplaces bring together funders and social ventures to enable pitching and basic due diligence to happen, operating like angel investor groups in the private sector.
Design	They take a variety of forms, often sourcing potential ventures through their networks and then asking them to pitch on an invitation-only basis. Often closed rather than openly screening ideas, ventures may be asked to pitch and have their ideas scrutinised by a giving circle.
Stage	Often informal networks, they will support early or growth-stage ventures with high potential.

Social impact bond providers*e.g. Social Finance*

Description	Social impact bonds are new financial mechanisms that produce a financial return on the basis of social impact. These providers arrange contracts between public sector bodies and investors where the public body pays investors upon ventures' achievement of specified social outcomes.
Design	Social impact bonds are a recent innovation and a standard business model or delivery mechanism among providers has not yet arisen.
Stage	Established ventures with demonstrable social impact.

Social investment brokers*e.g. ClearlySo*

Description	Social investment brokers bring together willing investors, often angel investors, together with social entrepreneurs seeking investment and may also support social entrepreneurs to improve their pitch to investors.
Design	Social investment brokers can secure revenue from membership fees or transaction fees where an investment is made.
Stage	All stages.

Social lenders

e.g. Venturesome, London Rebuilding Society, Social Investment Business

Description They provide debt financing for social enterprises and other organisations. These loans are provided with varying levels of interest, and tend towards businesses that are asset-backed. Recently, non-vanilla-debt types of vehicles have emerged, such as the Revenue Participation Agreement which links interest rates to revenue generation. In particular, these organisations contrast to Social Venture Capital Funds through their focus on debt finance as opposed to equity or equity-like investments.

Design Capital is raised from a variety of different sources, from raising bank deposits and shareholder capital in the case of the more commercial banks, to donations, grants, government money and social investments. Quality control is done either through due diligence processes that look at the whole company; or looking at the credit and trading history of the organisation.

Stage Most often these organisations support relatively developed ventures who have passed the market-test, with proven assets, such as property, or orderbooks. They will tend not to support risky start-ups.

Social venture capital funds

e.g. Big Issue Invest, Bridges Ventures, UnLtd Level 2, Health Launchpad

Description Providing patient capital in the form of equity and quasi-equity, these organisations believe in the early investment of resources to help scale up or grow potential businesses. These investments are inherently long-term and high risk, however they have the potential to deliver higher financial returns than other types of social finance.

Design Philanthropic or private investment from charitable trusts and foundations, as well as private individuals and institutional investors. Quality control via due diligence process that focuses on the market opportunity and management team rather than the social impact.

Stage Primarily to organisations with enough evidence of market opportunity to pass the market test and to scale.

Specialist banks

e.g. Charity Bank, Triodos, Unity Trust

Description Providing services to ethical organisations, specialist banks understand the demands of social ventures and ethical businesses and structure their services around their clients' needs.

Design Specialist banks are structured in much the same way as mainstream banks.

Stage All stages.

Venture philanthropy funds

e.g. Private Equity Foundation, Impetus Trust

Description Venture philanthropy funds invest through providing bespoke money, expertise, advice and guidance on a strategic basis after a comprehensive and detailed due diligence process, modelled on that of private equity in the private sector. This encompasses dealing with, supporting and building up an organisation in its entirety; effectively building capacity in the organisation to deliver its services or products more effectively. Typically the investments are longer-term, and the houses maintain close, active

relationships with the investee CEO and wider team. These organisations mobilise expertise from the private sector in the areas of agreed focus – central to achieving the long term goals.

Design Funding usually is raised for funds from a range of philanthropic and private sources. Quality control is usually highly rigorous with a thorough and expensive due diligence process.

Stage Typically medium-sized investees, with ample room for change and growth, looking to scale.

3. Intermediaries that provide marketing and distribution channels

Bidding platforms

e.g. 3SC

Description Bidding platforms bring together small and medium-sized social ventures together in consortia to bid for large public sector contracts.

Design Taking a management fee from each contract they win, 3SC is able to compete with large private sector bidders in order to ensure that the third sector has a significant piece of the public sector commissioning market.

Stage Post market-stage ventures.

Commissioning advisors

e.g. Social Entrepreneur in Residence

Description These organisations offer consultancy services to help broker relationships between public sector clients of social enterprises and social ventures in their areas. They help to identify strategic needs, cost benefits and otherwise broker a cultural gap between public sector commissioners and social ventures.

Design Typically, these organisations are financed through contracts with the public sector client. Quality control is undertaken via the organisations' internal processes and the demands of the public sector client.

Stage Social ventures at all stages from proof of concept and onward.

Social venture directories

e.g. Social Firms UK

Description Directories profile leading social ventures to specific purchasing groups such as public sector commissioners or private organisations looking to enhance their ethical credentials. Directories provide details of social ventures' services.

Design This service might be attached to membership services (as in the case of Social Firms UK) and therefore subject to membership criteria but could also be stand-alone with another set of criteria.

Stage All stages.

4. Intermediaries that support innovation

Commissioning advisors

e.g. Social Entrepreneur in Residence

Description	These organisations offer consultancy services to help broker relationships between public sector clients of social enterprises and social ventures in their areas. They help to identify strategic needs, cost benefits and otherwise broker a cultural gap between public sector commissioners and social ventures.
Design	Typically, these organisations are financed through contracts with the public sector client. Quality control is undertaken via the organisations' internal processes and the demands of the public sector client.
Stage	Social ventures at all stages from proof of concept and onward.

Competitions/Prizes

e.g. NESTA's Big Green Challenge

Description	Often structured around a particular theme (the use of technology, or homelessness, for example), competitions and prizes aims to stimulate innovation and encourage budding social entrepreneurs to aim higher.
Design	Offering more than just profile to the winner, competitions often come with monetary prizes enabling the best ideas to grow quicker.
Stage	All stages.

Design intermediaries

e.g. Think Public, Live:Work, Young Foundation

Description	Taking a design-centred approach to solving social problems is central to the work of these organisations. Shaping public service design by exploring user journeys and perspectives, they commonly use unusual methods such as visual thinking to develop innovative ways of designing physical spaces and service pathways. Applying both atypical and traditional design principles, these organisations translate established service delivery into a more user-focused approach.
Design	Funding from fee-based private services provided to social ventures. No explicit quality control function.
Stage	Often at the ideation stage and with early-stage ventures.

Innovation platforms

e.g. Social Innovation Camp, Innovation Unit's Innovation Exchange

Description	These platforms bring together different stakeholders to develop new services and ventures, find synergies between sectors and forge new partnerships – often with a social innovation objective.
Design	Can be funded by participant fees or government grants. Participants may be consciously selected for their skills, insights or networks – while those that charge participants have no quality control mechanism.
Stage	Ideation stage.

Innovation/challenge funds

e.g. NESTA's Big Green Challenge

Description	Challenge funds set specific simple goals for applicants – to solve a social or environmental problem. The outcomes are clear and measurable with tight timelines to generate urgency and momentum. Often, ongoing support and development throughout the application process results in the creation of new ventures with appropriate implementation plans. Usually the funds generate publicity and legitimacy for the winners as well as for the issues at hand and the funds themselves.
Design	Funding from public or private sources.
Stage	Fostering ideas, early-stage.

Social innovation venture labs

e.g. Shaftesbury Partnership, Participle, Young Foundation

Description	Generating innovative business-based solutions to large-scale social problems, such as an ageing population, these organisations attempt to generate sustainable systemic change through the creating and diffusion of social ventures. Incubating them from idea through to spin-out as a social venture, these organisations leverage their considerable networks, expertise and insight to enable social ventures to have an accelerated start on their growth trajectory.
Design	Ventures are sometimes ideas generated internally or, alternatively, led by external social entrepreneurs.
Stage	Ventures often 'spin-out' from the host organisation as they graduate from the start-up stage.

5. Intermediaries that monitor the impact of social ventures

Evaluation standardisation platforms

e.g. SROI network, GIIN network, SustainAbility

Description	These networks provide standardised measures of impact over a short-term period to the marketplace to be able to understand effective interventions and what isn't working.
Design	Largely funded through philanthropy or membership of networks. No explicit quality control – working through a large mix of organisations.
Stage	Social ventures at all stages from proof of concept and onward.

Impact measurement consultancies

e.g. New Philanthropy Capital, nef, LM3 Online, Carbon Trust

Description	These consultancies provide training, guidelines and procedures for calculating and demonstrating organisational social and environmental impact. By standardising methods of impact measurement, these organisations aid social ventures in clearly expressing their theories of change, as well as developing a better understanding of their wider impact on society as a whole, beyond their direct outputs and outcomes.
Design	Funding from fee-based private services provided to social ventures. No explicit quality control function.
Stage	Social ventures at all stages from proof of concept and onward.

Performance Indices

e.g. SE100

Description	These initiatives act to quantify the performance of social ventures in terms of growth and social impact enabling investors, commissioners and beneficiaries to compare ventures.
Design	These are relatively inexpensive operations and can be funded by corporate donors.
Stage	Social ventures at all stages from proof of concept and onward.

APPENDIX B: CASE STUDIES

We have included some case studies below that we hope provide inspiration and insight to readers.

The first is a case study of President Obama's Social Innovation Fund, which illustrates how government can play a role to ensure that social venturing is directed towards meeting critical social goals while also giving ventures the space to design the most innovative solutions, and intermediaries the space to offer the most effective tailored support.

Close-up on government investment in social venturing: President Obama's Social Innovation Fund

The Social Innovation Fund was launched by President Obama in May 2009 to scale what works by finding and investing in the most effective non-profit programmes in order that they can replicate their success in other parts of the United States.

The \$50 million fund was granted to intermediaries (primarily foundations and social investors) after a rigorous three-month multi-phase review process involving over 60 experts. Sub-grants to non-profit organisations were multi-year and came with strategic support in areas such as evaluation and management.

Stephen Goldsmith, author of *The Power of Social Innovation*, commented on the billions of dollars spent on programmes aiming to solve social problems: *"what if that funding could be more accurately focused on the best solutions? And what if the knowledge about what works were shared broadly, so it could be used in any community across the country? The benefits would be enormous. Through evaluation and knowledge-sharing, the SIF has the potential to transform how our nation tackles social challenges."*

The Social Innovation Fund offers lessons to the current UK government:

- The US government effectively **leveraged further investment** by requiring intermediaries to match the SIF grant 1:1 from private or philanthropic sources. SIF grantees were also obliged to require sub-grantees to match fund their grants 1:1 from other federal or philanthropic sources.
- Government **recognised the value of support** by offering investment through intermediaries that could provide nonprofits with support on their management, strategy and impact measurement.
- In order to **maintain transparency and accountability**, the government consulted on the design of the fund and publicly profiled the selection process, applicants and grantees on the US government's www.nationalservice.gov website.
- The SIF was **committed to rigorous impact measurement** and evidence-based

programming. The largest percentage cut of the SIF's applicant pool (more than 50 per cent) was in a phase that was entirely focused on the intermediaries' use of evidence, data and evaluation. At the level of sub-grants, the SIF required that the investment was spent on evaluation of their effectiveness and replication to serve more people.

We have included three case studies of social venture intermediaries for the purpose of giving readers a flavour of the types of services offered, approaches used and outcomes achieved by different types of intermediary.

Close up on a social lender: CAF Venturesome

Launched in 2002, CAF Venturesome comprises three social investment funds which provide both risk capital and advice to charities and social enterprises. CAF Venturesome was launched by John Kingston as an initiative of the Charities Aid Foundation in order to address an identified gap in the capital market for social purpose organisations. In certain instances, such as providing working capital for charities, Kingston found that the risk-averse attitude of commercial banks and the restrictive nature of grant funding left a gap in the access to capital for social purpose organisations. In response, Venturesome offers bridging finance, working capital and development capital to build new income streams. Over 200 commitments have been made, approaching £20 million, since launch.

As an impact first social investor, CAF Venturesome uses underwriting, debt and quasi-equity instruments to invest in ventures looking for between £20,000 and £400,000. Through its innovative approach, CAF Venturesome is able to recycle its grant-making base of capital several times through different ventures. Investees are expected to repay their investment with moderate interest, but the 'high-risk for high social return' nature of its investments inevitably results in an overall negative financial return for the fund. CAF Venturesome's recycling, however, is way above the -100 per cent return of traditional grant-makers and is historically around -5 per cent, adjusting to -10 per cent if the current portfolio's performance is included. The social impact upside more than compensates for this.

In addition to CAF Venturesome's provision of finance, client feedback demonstrates that its 'searching analysis' approach to due diligence yields value for investees and even those that don't receive investment.

Close up on venture philanthropy: Impetus Trust

Impetus targets mid-sized charities and social enterprises using a venture philanthropy approach, meaning they aim to provide a strategic package that offers funding, but also includes hands-on management support and specialist expertise from the Trust's extensive pro-bono network of experienced experts. Impetus Trust was founded in 2002 as the pioneer of venture philanthropy in the UK and is funded by individual and corporate donors as well as grant-making foundations.

Impetus backs ambitious social ventures that offer economically disadvantaged people access to education, skills and employment opportunities. Impetus looks for Chief Executives with the ambition to grow their organisation and the skills to implement changes and scale organisations. Crucially, to be able to benefit from the extensive networks of pro-bono expertise that Impetus has built, Impetus works closely with charity Chief Executives and boards to develop a business plan that links funding and pro-bono business advice to specific performance milestones that are central to organisational scaling-up. It is this strategic and operational focus that is defined as a core element of Impetus' service. According to Sir Ronald Cohen, an Impetus supporter: *"Money alone can only do so much. It is money combined with skills and experience that achieve real impact. Impetus Trust is leading the way in creating lasting change through this strategic combination"*.

Like other social venture intermediaries and unlike many traditional grant-funders, Impetus is concerned with building the capacity of the whole organisation through unrestricted funding between £200,000 and £500,000 over a time period of 3-5 years. This funding is leveraged by the pro-bono expertise and co-investment, to increase its value to the organisation. For every £1 given to charities, Impetus is able to provide nearly £4 more in added value.

For each investment, there is an Impetus team member who serves as an 'investment director', playing a close and active role as critical friend and adviser to the CEO and his/her team. The investment director Impetus provides has extensive knowledge of both the private and voluntary sectors and works closely with the venture to improve its efficiency, establish networks, and transform its social impact.

Impetus provides investees with a package of specialist support in key areas such as financial management, marketing or strategy delivered by individual and corporate pro-bono experts. This expertise is deployed through mutually-agreed discrete projects, managed by the Impetus investment director. Impetus carefully monitors the revenues and number of beneficiaries reached for each of the organisations in its portfolio.

Impetus reported that in 08/09, on average, organisations in its portfolio increase their revenues by 40 per cent and their total number of beneficiaries by 56 per cent each year.

Close up on social insight and design: Private Equity Foundation

Private Equity Foundation (PEF) is a venture philanthropy fund which brings charities, and the private equity community together, working to empower and support disenfranchised young people. PEF aims to reduce the number of young people who are Not In Employment, Education or Training (NEET) by supporting medium-sized charities in order to increase the chances of developing an organisation that is exceptional in the eyes of the foundation and able to grow to have a much larger impact.

PEF was set up in 2006, with the ethos that focusing on one issue is the key to creating a significant and lasting impact. PEF foregrounds young people who have been left behind and are disconnected from education or work. Nearly 1,000,000 young people are in this category and in recognition of the fact that a coordinated response is required to address the issue, PEF has built a portfolio of charities that work in this area. Exploiting the skills and expertise of the Private Equity industry, PEF aims to help these charities increase the value they create and their impact on young people. David Evans, a PEF partner from the

Private Equity Transaction Support Team at Deloitte, commented: “PEF’s ability to leverage the contacts of its Trustees and founding firms also means that the quality and breadth of advice available to its charities is unprecedented.”

Not only does PEF leverage pro-bono expertise and support from the private equity industry in which it is embedded but it also has an active research function, partnering with think tanks such as Demos and IPPR to research relevant themes and factors affecting the NEET issue. The PEF team includes staff who have specific expertise in the area of NEET young people: Fiona Murray is an ex-teacher and education policy specialist and leads PEF’s research work; and Carol Jackson, PEF’s portfolio manager, is the ex-Head of Youth at Community Links, one of PEF’s investees.

This explicit focus on a single social issue is commonplace among traditional funders but relatively unique among social venture intermediaries. This strategy has enabled PEF’s leadership to invest in social research and bring in staff who have a deep level of understanding of the NEET issue. PEF can therefore support charities to improve the service they offer young people, alongside the business and operational advice offered through the foundation’s pro-bono networks in private equity. Moreover, PEF is able to facilitate collaboration between its charities, potentially having a lasting effect on the landscape of social ventures, and a deeper impact on the ultimate beneficiaries, and can draw lessons from each one that can be disseminated to a wider group of relevant policymakers and practitioners.

Appendix C:

RESEARCH SOURCES

1. Support organisation interviews

Baker Brown Associates (Jim Brown)
 Big Issue Invest (Sarah Forster)
 Big Lottery Fund (Dharmendra Kanani)
 Bridges Ventures (Antony Ross)
 CAN Breakthrough (Andrew Croft)
 ClearlySo (Rod Schwartz)
 Development Trust Association (Steve Wyler)
 Eastside Ventures (Richard Litchfield)
 Esmée Fairbairn Foundation (Dawn Austwick)
 Impetus (John Leach)
 Innovation Unit (David Albury)
 Local Partnerships (Dan Gregory)
 London Rebuilding Society (Naomi Kingsley)
 Participle (Hilary Cottam)
 Private Equity Foundation (Carol Jackson)
 Red Ochre (Uday Thakkar)
 School for Social Entrepreneurs (Nick Temple)
 Shaftesbury Partnership (Patrick Shine)
 Social Enterprise Coalition (Peter Holbrook)
 Social Enterprise London (Matthew Jarratt)
 Social Finance (David Hutchinson)
 Social Firms UK (Sally Reynolds)
 Social Innovation Camp (Anna Maybank)
 Social Investment Business (Jonathan Lewis)
 Think Public (Deborah Szebeko)
 Triodos (James Vaccaro)
 UnLtd (Cliff Prior)
 UnLtd Advantage (Jonathan Jenkins)
 Venturesome (John Kingston)

2. Venture interviews

Fair Finance (Faisal Rahman)
 HCT group (Dai Powell)
 Patient Opinion (Paul Hodgkin)
 PLUSS (Martin Davies)
 School of Everything (Paul Miller)
 Teach First (Brett Wigdortz)
 Working Rite (Sandy Campbell)

3. Additional interviews

ETIC (Kensuke Sasaki)
 SVP Tokyo (Junko Kishigami)
 UK Innovation Research Centre (Michael Kitson)

4. Surveys

We produced three surveys:

- Social venture intermediary professionals' perceptions of the field of social ventures and intermediaries (29 responses with a maximum of three per organisation).
- Activities of social venture intermediaries (17 responses, one per organisation).
- Social ventures' perceptions of support received from intermediaries (ten responses).

5. Focus Groups

We conducted two focus groups:

- Seven MBA students (from London Business School and Saïd Business School) with an academic interest in social entrepreneurship.
- Five social venture founders.

6. Finance mapping

Reported data; known distribution:

- UnLtd – Levels 1 and 2.
- Young Foundation – Learning Launchpad and Health Launchpad funds.
- London Rebuilding Society – Assistance and Business Loans for Ethical Enterprise (ABLE) Fund and Social Enterprise Fund.
- CAN Breakthrough.
- Bridges Social Entrepreneurs Fund.

Reported data; estimated distribution:

- Big Issue Invest.
- Impetus.
- Key Fund Yorkshire.
- Private Equity Foundation.
- Social Investment Business.
- CAF Venturesome.

Community Development Finance Institutions; proportion of investments made into social enterprises estimated using figures from the CDFA:³⁶

- Aston Reinvestment Trust.
- Cooperative and Community Finance.
- Fredericks Foundation.
- GLE oneLondon.
- Goole Development Trust.

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